LCBO ANNUAL REPORT 1996-1997

# We've bettered our best

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## Letter of Transmittal

The Hon. David H. Tsubouchi,
Minister of Consumer and Commercial Relations

Dear Minister,

I have the honour to present to you the 1996-97 Annual Report of the Liquor Control Board of Ontario.

Respectfully submitted,

Andrew S. Brandt
Chair and CEO

# Corporate Governance

The Liquor Control Board of Ontario is a Schedule II Crown Agency. Its mandate, powers and duties are defined by the *Liquor Control Act* and its Board of Directors has a fiduciary duty for the stewardship of the organization.

Although there is only one shareholder for a public body (i.e. the public), that shareholder speaks with many voices, including the Minister and staff of the provincial parent ministry (Consumer and Commercial Relations), Management Board of Cabinet, the provincial Minister of Finance, the Provincial Auditor, as well as the Board of Directors responsible for the organization.

The LCBO Board of Directors and management recognize the importance of governance policies, as part of the organization's accountability to government, customers, the public, suppliers, employees and the communities the LCBO serves.

The LCBO has in place a number of corporate governance policies and procedures. These are regularly evaluated and modified to ensure their effectiveness. They include:

- *Board Protocol:* This ensures that all matters required by statute to be approved by the Board of Directors, together with all significant matters affecting the LCBO, monetarily and otherwise, are brought to the Board's attention. The protocol further ensures that such matters are brought to the Board of Directors for approval in a timely manner, and in such a way as to enable Board Members to gain a proper understanding of the matter and sufficient time to make a reasoned decision.

- *Memorandum of Understanding:* This agreement between the LCBO and the Minister of Consumer and Commercial Relations sets out the working relationship between the LCBO and the provincial government.

102-02742

- *Orientation and Education Program for Directors:* New Board Directors undertake an orientation and education program. On an ongoing basis, current corporate governance developments are brought to the Board's attention, such as those referred to in the *Guidance for Directors – Governance Processes for Control,* issued by the Canadian Institute of Chartered Accountants.

- *Board by-law:* The LCBO is reviewing its general by-law to further enhance corporate governance.

- *The LCBO develops, adopts and measures its performance against a corporate strategic plan and related business plans* (see page 26).

- *Social Responsibility:* The Board has in place policies and procedures to ensure that its mandate is delivered in a socially responsible manner (see Chair's remarks, page 16).

- *Environmental Issues:* The Board receives regular reports from staff on environmental compliance.

- *Product Management Committee:* This committee reviews and recommends approval of applications for the listing of beverage alcohol products with the LCBO. Any negative decision of the Product Management Committee, including any decision to delist a product, may be appealed to the Listings Appeals Committee.

- *Store Planning and Development Committee:* This committee reviews and recommends all proposed real estate/leasing matters for approval by the Board.

- *Workplace Health and Safety Committees:* In accordance with the requirements of the *Occupational Health and Safety Act,* the Board approves an annual health and safety program and ensures that the required number of health and safety meetings are held throughout the province by joint bargaining unit and management health and safety committees. Health and safety reports are provided to the Board of Directors on a monthly basis.

- *Audit Committee of the Board:* The LCBO has an independent Audit Committee with a specified mandate. It is composed of Board Members who are non-management directors. The Audit Committee oversees the integrity of internal controls and management information systems. It also reviews and makes recommendations to the Board concerning the efficiency and effectiveness of operations, the annual financial plan, the annual audited financial statements, quarterly financial statements, and the annual report.

- *The Provincial Auditor,* who is the external auditor for the LCBO, has unlimited access to the Audit Committee. ■

## LCBO Board of Directors

During Fiscal 1996-97

Andrew S. Brandt
*Chair and Chief Executive Officer*

Chantal Haas
*Vice-Chair*

Rajula Atherton
*Director; Chair, Audit Committee*

Orrin O. Benn
*Director; Member, Audit Committee*

M. Sharon Broderick
*Director*

Gerald J. Charney
*Director (resigned June, 1996)*

John S. Laccy
*Director*

Vernon C. Parrington
*Director; Member, Audit Committee*

Larry C. Gee
*Executive Vice President*

The LCBO wishes to thank the Office of the Provincial Auditor and the Audit Committee of the Board of Directors for their assistance in the preparation of this document.

Produced by LCBO Corporate Communications

Financial information prepared by LCBO Finance & Administration

French adaptation by LCBO French Language Services

Ce rapport est également publié en français sous le titre : Rapport annuel de la LCBO 1996-1997.

Stock content:
50 per cent total recovered fibre
20 per cent post-consumer waste

ANDREW S. BRANDT
ORRIN O. BENN
GERALD J. CHARN
JOHN S.
RAJULA ATHERTON
M. SHARON BRODERICK
V. ANDY C. PARRINGTON

# LCBO Board of Directors during fiscal 1996-97

THE DIRECTORS OF THE LCBO, LIKE THOSE OF OTHER PROVINCIAL GOVERNMENT AGENCIES, BOARDS AND COMMISSIONS, ARE APPOINTED BY THE SITTING GOVERNMENT THROUGH ORDER-IN-COUNCIL. APPOINTMENTS, USUALLY FOR A THREE-YEAR PERIOD, ARE SOMETIMES RENEWED.

**ANDREW S. BRANDT:**
*Appointed Chair and Chief Executive Officer February 6, 1991.*

Re-appointed in March 1997 for an unprecedented third three-year term as both Chair and CEO, Mr. Brandt came to the LCBO afte. a long and distinguished career in both the private and public sectors. He began his public-service career in Sarnia, where he served on City Council for almost a decade, including three terms as mayor. In 1981, he was elected to the Ontario Legislature as MPP for Sarnia and became, successively, Parliamentary Assistant to the Minister of Labour, Minister of the Environment, and Minister of Industry and Trade. In 1987, he was named Leader of the Ontario Progressive Conservative Party, a post he held until 1990. In the private sector, Mr. Brandt ran a successful musical instrument business for many years. He is also an active and award-winning volunteer in several community organizations.

**CHANTAL HAAS:**
*Appointed Vice-Chair May 15, 1995.*

Ms. Haas, Managing Partner, operates a successful Toronto-based multilingual human resources organization, The Haas Group/Bilingual Plus Inc., which specializes in French, English, Spanish and Japanese placements. In addition to leading her business, she participates actively in Toronto's French community. Ms. Haas is currently a Member of the Board of Directors and Past President (two-terms) of Le Cercle canadien de Toronto. She is a member of the Executive Board of Directors and Chair, Special Events, for the French Chamber of Commerce (Ontario) and Vice-President, Public Relations, for Women Entrepreneurs of Canada. Ms. Haas is also a National Board Director with the Association of Professional Placement Agencies & Consultants and is a Regional Board Director for the Employment & Staffing Services Association of Canada. She has inspired many young women entrepreneurs through her extensive involvement with the Step Ahead and Step-Up mentoring programs.

**RAJULA ATHERTON:**
*Appointed October 7, 1994.*

Mrs. Atherton brings to the LCBO wide experience in increasingly responsible finance and administration positions with the Government of Ontario, including the Addiction Research Foundation, from 1972 until 1988. In 1988 she left the government to become a partner, with her husband, in a public accounting firm, Atherton and Atherton, and in a grape-farming operation, Atherton Vineyards. She is active in community services such as the Women's Rural Economic Development Organization and the World Literacy Foundation.

**ORRIN O. BENN:**
*Appointed September 8, 1994.*

Mr. Benn has many years of experience in marketing management positions in packaged goods companies, mostly with Heublein Incorporated where he rose to be Director of Marketing of the International Beverage Group. Just prior to joining the LCBO Board, Mr. Benn was a Member, Board of Governors, Exhibition Place, where he was Chair of the Audit Committee. He currently teaches international trade and marketing at Seneca College.

**M. SHARON BRODERICK:**
*Appointed December 12, 1991.*

Now in her second term on the LCBO Board, Ms. Broderick is a member of the Faculty of Business at Brock University where she lectures in the marketing area and the Faculty of Social Sciences as a member of the Communications Studies Program. She is also involved in the development of the Cool Climate Oenology and Viticulture Institute (CCOVI) at Brock as a member of the Advisory Council and as Chair of the Institute Program Promotion Committee. Ms. Broderick also serves as a member of the Board of Governors of the St. Catharines General Hospital.

**GERALD J. CHARNEY:**
*Appointed May 4, 1995.*

Resigned in June 1996 to accept another appointment. A full-time labour arbitrator and mediator with more than 30 years of experience in labour law, Mr. Charney has his own firm, Charney Arbitrations, and is a Vice-Chair of the Ontario Labour Relations Board. He has also been a Vice-Chair of the Crown Employees Grievance Settlement Board. He has served as a facilitator/mediator on behalf of the Ontario Government in the restructuring of Algoma Steel, the Algoma Central Railway and Spruce Falls Lumber. As a long-time wine collector, Mr. Charney has a special interest in the merchandising of beverage alcohol and in increasing consumer knowledge about these products.

**JOHN S. LACEY:**
*Appointed June 26, 1996.*

Mr. Lacey is a veteran of the retail and hospitality industries, with nearly 35 years of experience with companies such as Molson, Loblaws, Scott's Hospitality Inc. and the Holiday Inn and Marriott hotel chains. Now President of WIC Western International Communications Ltd., Mr. Lacey is a graduate of the Harvard Business School who emigrated to Canada in 1978 and became a Canadian citizen in 1983. Mr. Lacey has also served as a director of the Retail Council of Canada, the Canadian Racing Drivers Association and Scott's Hospitality Foundation. His community interests include Street Haven, a shelter for abused women, and the North York Community Alliance, which helps diverse ethnic communities come together on common ground.

**VERNON C. PARRINGTON:**
*Appointed September 8, 1994.*

Mr. Parrington brings to the LCBO Board the experience of a 30-year career in labour relations and workplace technology, mostly in the automotive and aerospace industries. Until his retirement in 1990, he served in a number of positions in the United Auto Workers, including Assistant to the Vice President and, later, the Canadian Auto Workers, where he finished his career as Director of the Skilled Trades Department. He has handled grievances at all levels, sat on arbitration panels, mediated disputes, and helped develop and upgrade apprenticeship and training programs for workers on behalf of the provincial Skilled Trade Advisory Boards. Mr. Parrington is now on the board of Teranet, which oversees all land registrations and titles in Ontario.

*A new decor package, based on the colour scheme and lighter woods used in the award-winning Yorkdale Centre store on Bloor Street in Toronto, will be the standard look for future LCBO IMAGE stores.*

# The LCBO at a glance

**The Liquor Control Board of Ontario regulates the production, importation, distribution and sale of alcoholic beverages in Ontario.**

**The LCBO is the largest single purchaser of beverage alcohol in the world, buying wine, spirits and beer from more than 60 countries for Ontario consumers and licensees.**

To provide this service, the LCBO operates five regional warehouses that supply 595 stores across Ontario. Through this integrated distribution and retailing network, nearly 5,000 products are available to consumers either by direct purchase or by special order. Customers can also obtain many other products not regularly listed in Ontario through the LCBO Private Stock ordering program.

The LCBO also operates four stand-alone Vintages stores, which offer consumers a wide selection of premium wines, spirits and beer. Vintages products are also available in seven Vintages boutiques and over 140 corners in regular LCBO stores. They can also be ordered through any LCBO outlet. Some 500 additional premium products can be ordered from each edition of the Vintages *Classics Catalogue*.

In partnership with the LCBO, established retailers operate 90 agency stores in communities without large enough population bases to support regular LCBO stores.

For air travellers, the LCBO operates duty-free stores at Terminals 1 and 2 at Pearson International Airport.

The LCBO also regulates the sale of products through 428 Brewers Retail stores, 30 on-site brewery stores, 330 winery stores, three distillery stores, 11 land border-point duty-free stores, and duty-free operations at Pearson International Terminal 3 and at Ottawa International Airport.

In the interests of consumer protection, the LCBO conducts approximately 180,000 tests on 10,000 different alcoholic beverages each year. This quality assurance testing ensures that all products sold by the LCBO, Ontario winery stores and Brewers Retail stores comply with the federal *Food and Drug Act*, as well as the LCBO's high standards for quality and taste.

FOR FURTHER INFORMATION ABOUT LCBO PRODUCTS AND SERVICES, CALL THE LCBO TOLL-FREE INFOLINE AT 1-800-ONT-LCBO (668-5226). IN METROPOLITAN TORONTO, CALL (416) 365-5900 OR VISIT THE LCBO'S TWO INTERNET SITES: http://www.lcbo.com (OUR CORPORATE HOME PAGE), AND http://www.vintages.com (THE VINTAGES HOME PAGE). ■

# LCBO Named Innovative & Socially Responsible Retailer of the Year

Shortly after the end of the 1996-97 fiscal year, and the day after turning 70 years of age, the LCBO received two perfect birthday gifts: the Excellence in Retailing Awards (ERA) for Innovative Retailer of the Year and for Socially Responsible Retailer, both in the large store category. The awards were presented on June 2, 1997, at the Retail Council of Canada's ERA competition in Toronto, celebrating outstanding achievers in all sectors of the retail industry.

The Innovative Retailer of the Year award, ERA's top prize, acknowledges overall industry leadership and innovative approaches to customer and employee relations. The Socially Responsible Retailer award is given to organizations that have helped the community advance social, health-related or environmental causes.

"The LCBO is pleased to be recognized as best in class by its peers, not only as a progressive retailer, but also as a leader in promoting social responsibility," said LCBO Chair and CEO Andrew S. Brandt, who accepted the awards on behalf of the LCBO. "As a government enterprise, we always seek to strike a balance between generating revenue and responsible service. Our customers have responded favourably to these efforts and our year-end performance reflects this."

"This recognition is yet another indicator of how far the LCBO has evolved as a modern, customer-focused retailer, with innovative merchandising programs like *Shop the World*, and staff development initiatives involving product knowledge and social responsibility training and customer service excellence," added Executive Vice President Larry Gee.

Reflecting the organization's leadership and expertise in all aspects of progressive retailing, the LCBO was also a finalist in ERA's Store Layout & Design, Retail Marketing & Advertising, and Staff Development & Motivation categories.

# Key accomplishments

## 1996-97 Objectives and Results

| OBJECTIVES | TARGET | RESULT |
|---|---|---|
| • Increase sales by: | 1.9 % | 5.8 % |
| • Increase profit transfer by: | $5 Million | $50 Million |
| • Reduce costs at Head Office and the regional offices by: | $2 Million | $5 Million |
| • Reduce product handling costs by: | $2.1 Million | $10.9 Million |
| • Reduce funds tied up in inventory by: | $30 Million | $54.4 Million |

**OUR MISSION STATEMENT:**

**"As a government enterprise, the LCBO will be a customer-focused and profitable retailer of beverage alcohol, a leader in promoting social responsibility in its use, and an impartial and objective regulator of the beverage alcohol industry."**

**VISION STATEMENT:**

**"To continue the transition to a shared marketplace through commercialization initiatives which increase private-sector participation and partnershipping, while continuing to be the beverage alcohol retailer of choice through superior performance."**

## 1997-98 Targets

| | |
|---|---|
| • Increase sales by: | 3.8 % from $1,996,791 to $2,072,511 ($000s) |
| • Increase income by: | 3.6 % from $701,030 to $726,517 ($000s) |
| • Reduce the expense to net sales ratio from: | 16.7% to 16.2% |
| • Reduce the administrative expense to sales ratio from: | 2.2 % to 2.1% |
| • Reduce warehouse per case handling costs by: | 4.5 % |
| • Reduce store per selling unit costs by: | 3.5% |
| • Increase inventory turns from: | 5.0 to 5.5 per year |

*As the world's largest single purchaser of beverage alcohol products, the LCBO uses its considerable buying power and supplier connections in more than 60 countries to provide Ontario consumers with unsurpassed selection at competitive prices.*

# We've bettered our best: Chair's remarks

In the last Annual Report, my remarks carried the headline "A record-breaking year." And fiscal 1995-96 was indeed a record-breaking year for the LCBO, according to a number of different measures. We chalked up the highest transfers to the Ontario Treasury in our history. *The Financial Post* ranked us as Canada's most profitable company, as well as second in return on investment, third in return on shareholders' equity and seventh in net income.

"THE LCBO DELIVERS AN IMPORTANT SERVICE TO ONTARIANS. WE'VE GOT A MORE EFFICIENT LCBO THAN WHEN WE CAME TO OFFICE"

PREMIER MIKE HARRIS

We enjoyed impressive sales – up 5.5 per cent from the previous year – at a time when the rest of the retail world was suffering badly and Canadians were continuing to spend a smaller proportion of their income on beverage alcohol. And we outperformed all other liquor jurisdictions in Canada.

With all that good news, I looked a year ahead and wondered at the time those remarks were written what I would be able to tell you now about fiscal 1996-97. All things considered, it seemed unlikely we would be able to improve a great deal on the results of 1995-96. After several years of declining sales, bottoming out in 1994, we had turned our direction and the key numbers were beginning to rise again. We were doing very well indeed and we had no intention of resting on our laurels, but we thought this peak year would be difficult to top. We *were* bold enough to project another modest increase in 1996-97, setting our sights on a $685-million transfer to the Ontario Treasury.

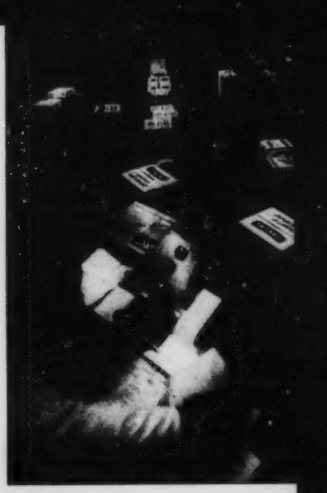
We had the highest net income in our 69-year history, breaking the $700 million barrier by $1 million. And our transfers to the provincial government totalled a record-breaking $730 million.

I'm delighted to say now that we underestimated our continuing success. The results for 1996-97 were substantially beyond projection and we can report even more improvement in most measures of our business than we achieved in 1995-96. In net sales, we came very close to $2 billion, missing that landmark by only $3 million [see Net Sales Trend chart]. That meant a total sales increase of almost $210 million in just two years – a quarter of a billion dollars in three years. Our gross margins in 1996-97 were over $1 billion. We had the highest net income in our 69-year history, breaking the $700 million barrier by $1 million. And our transfers to the provincial government totalled a record-breaking $730 million [see Transfer Trend chart].

**NET SALES**

**PROFIT TRANSFER TO THE PROVINCE**

*Net sales rose by $110 million in fiscal 1996-97, with growth in all major product categories – wine, spirits and beer contributing to the nearly $2 billion total. Since 1994, LCBO net sales have grown by more than $248 million, outpacing the Ontario retail market as a whole.*



*Productivity improvements in Distribution and Retail operations totalled nearly $11 million in fiscal 1996-97. Operating expenses as a percentage of net sales dropped to 16.1 per cent, down from 17 per cent last year. Five years ago, operating expense were 18.6 per cent of net sales.*

The figures were up over *all* product categories. Domestic spirits were up about 2.1 per cent – an impressive gain after several years of decreases of between 1.6 and 4.7 per cent. Domestic wine sales were up 12 per cent. Our sales of domestic beer were up 10.1 per cent – at a time when overall domestic beer sales were *down* 1 per cent.

Imported spirits were up about 4.2 per cent, imported wines were up 7.8 per cent and imported beer was ahead of last year's sales even though Brewers' Retail Inc. (BRI) took many of the better-selling imported brands into its system.

There has been some shift from the home-consumer market to the wholesale market: that is, a larger proportion of our sales is going to BRI and licensed establishments and a somewhat smaller proportion is going to individual consumers in our retail stores. This trend, along with a change in sales volumes away from the higher-margin spirits category to the lower-margin beer and wines, tends to erode our gross margin. We do not get as much revenue from wholesale as we do from retail sales.

However, the wholesale market still represents a relatively small proportion of our total sales: 17.8 per cent, compared with 14.8 per cent in 1993. [For a more detailed analysis of sales figures and category performance, see "Beyond the numbers," page 23].

IN FISCAL 1996-97, THE LCBO CLOSED THREE STORES, RELOCATED FIVE IN BARRIE, SUDBURY, MISSISSAUGA, KANATA AND TORONTO, AND OPENED THREE NEW MINI STORES, ONE IN BARRIE AND TWO IN TORONTO. MAJOR STORE RENOVATIONS WERE ALSO COMPLETED IN LONDON, OTTAWA AND OWEN SOUND. THE LCBO HAS 595 STORES ACROSS THE PROVINCE. OF THESE, 281 ARE GOVERNMENT OWNED AND THE REMAINING 314 OUTLETS ARE LEASED.

"WE ARE CURRENTLY TAKING STEPS TO MODERNIZE THE LCBO ... WITH GOALS OF BETTER CUSTOMER SERVICE, IMPROVED EFFICIENCIES AND STRONG HEALTH AND SOCIAL STANDARDS. WE HAVE BEEN TAKING SUGGESTIONS ON HOW TO IMPROVE THE SYSTEM AND MODERNIZE IT FURTHER FROM OUR MANY STAKEHOLDERS. CERTAINLY WE'VE HAD DISCUSSIONS WITH THE OLBEU EMPLOYEES AS WELL. OUR GOAL SIMPLY IS TO MAKE THE SYSTEM BETTER FOR THE CONSUMER AND BETTER FOR THE TAXPAYER."

CONSUMER AND COMMERCIAL RELATIONS MINISTER DAVID TSUBOUCHI

These gains have been accomplished in a climate of price stability: for the past five years there has been no real increase in the prices of our products. This has been a benefit to our consumers – and a factor, along with the exchange rate, in the decline of cross-border shopping that adversely affected our sales in the late 1980s and early 1990s.

Although the LCBO is sometimes viewed as a monopoly, we have vigorous competition in all of our product categories except spirits. As well as BRI and the Ontario winery stores, there are increasing numbers of U-Brews and U-Vints that appeal to cost-conscious consumers. And, of course, the illicit market in beverage alcohol continues to be a major factor that is impossible to quantify with any absolute certainty. However, we have good reason to believe our efforts to combat the illegal market have had some significant success. Our improved sales figures are clear indicators of the LCBO's excellent performance in an increasingly competitive, shared marketplace.

## MANY REASONS FOR SUCCESS

There is no single reason why we have been so successful in the past year; instead, there are a number of contributing factors, many of them planned and implemented and some that are fortuitous circumstances in the market environment around us.

One factor is that 1996-97 was the first full year when credit- and debit-card purchases were available in all our stores. With the trend towards alternatives to cash in all retail purchasing, this convenience has given the LCBO a level playing field with other places where our customers shop. Purchases with plastic now account for 26 per cent of our sales, and this proportion will almost certainly continue to grow.

Our *Shop the World* promotions, featuring various product groups from all over the world and right here at home, have shown clearly what effective merchandising can do. Launched three years ago, this program has been an unqualified success.

*After years of belt-tightening, Ontario consumers are treating themselves to small pleasures, which is reflected in our sales and increased interest in premium products.*

*Introduced in 1994 as a customer convenience, credit and debit cards now account for 26 per cent of all LCBO customer transactions.*

LCBO RETAIL PLANS FOR FISCAL 1997-98 CALL FOR SIX MORE BEER COLD ROOMS; TWO MORE IMAGE STORE MAKEOVERS; FOUR MAJOR RENOVATIONS TO STORES IN RICHMOND HILL, AURORA, NIAGARA FALLS AND PARRY SOUND; UP TO FIVE ADDITIONAL MINI STORES; AND FOUR RELOCATIONS, INCLUDING THE AVENUE ROAD STORE IN NORTH-CENTRAL TORONTO.

A general improvement in economic indicators has undoubtedly contributed to our excellent sales results. After several years of restraint, customers have shown they want to give themselves the occasional treat, and this is reflected in improved sales for alcoholic beverages, including premium brands.

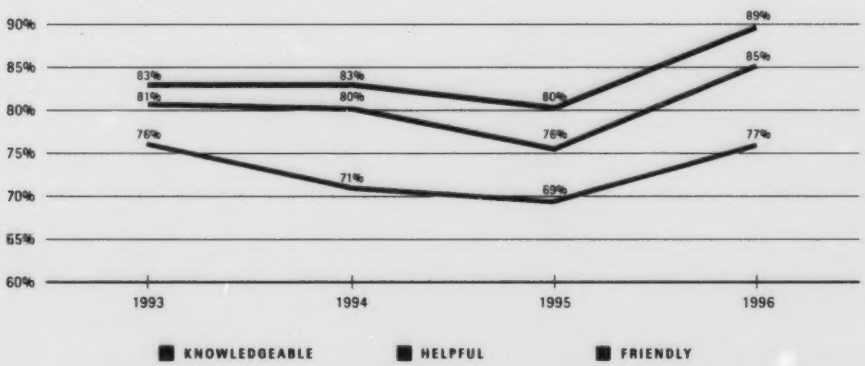
But we are convinced that our transformation into a modern retailer is the major reason for our recent success. Customers are drawn to stores where the atmosphere is pleasant, there is an excellent selection of well-displayed quality products, the staff is knowledgeable and helpful and the shopping environment is enlivened with music, tastings and colourful, interesting product presentations.

The LCBO has come a long way from the days of counter stores and order slips. Modernization costs money and we have occasionally been criticized for our expenditures on renovating and updating our stores and merchandising our products: some have felt it was not entirely appropriate for a government enterprise to behave like a retailer. But we are a retail organization – one of the largest in the province – and we got that way by doing many of the things any good retailer does to better serve customers.

One of the earmarks of a good retailer is a friendly, helpful and knowledgeable sales staff and we have one of the best. Each store employee is trained in customer service and product knowledge. Our three-part course in the history, manufacture and characteristics of wines, beer and spirits was developed to make sure our employees learn all they need to know to assist customers in making informed choices about their purchases. The course has proven so successful that it has been adopted by other provincial liquor boards, and we recently made it available to interested customers.

Our *Shop the World* promotions, featuring various product groups from all over the world and right here at home, have shown clearly what effective merchandising can do. Launched three years ago, this program has been an unqualified success.

**HOW CUSTOMERS RATE OUR STAFF**




*Source: LCBO customer service tracking.*

"THE SUPPORT WE GET FROM THE LCBO AND OTHER CORPORATE SPONSORS IS ESPECIALLY IMPORTANT AT THIS TIME OF GOVERNMENT CONSTRAINT."

DAVE STEWART, PRESIDENT OF THE ONTARIO COMMUNITY COUNCIL ON IMPAIRED DRIVING (OCCID)

Each of the four *Shop the World* promotions in 1996-97 resulted in substantially increased sales of featured products. One promotion, *Help Save the Animals*, promoting the products of a variety of suppliers, had the overall theme of respecting our environment, particularly endangered species and their habitats. During its month-long run, sales of featured products were up a huge 77.1 per cent, and a total of $147,000 - $27,000 over target - was donated to organizations working to guard wetlands, wildlife and ecosystems from degradation.

The other three promotions during the fiscal year were *Taste the World of Beer* (sales of featured products up 18.7 per cent), *French Accents* (up 53.1 per cent) and *Wines of Ontario* (up 74.1 per cent). Sales of *all* products on our shelves are usually at least 2 per cent higher during *Shop the World* promotions than in months with no promotion. There is no question that this integrated and imaginative merchandising strategy has paid huge dividends.

*Sales of featured products increased by more than 53 per cent during our French Accents promotion. The informative displays, in-store tastings, free recipe guides and food and drink matches that are all part of this and other Shop the World theme promotions are particularly popular with our female customers.*

*LCBO's popular Shop the World theme promotions have boosted sales of featured products by 60 per cent on average and turned in-and-out shoppers into browsers. Here, Minister of Consumer and Commercial Relations, David Tsubouchi, officially launches the Wines of Ontario "world event".*

*Thanks to comprehensive product knowledge training, supported by suppliers, LCBO staff are more knowledgeable than ever, and well prepared to help shoppers make informed purchases.*

*With the high cost of real estate in prime locations like downtown Toronto, mini stores, which offer up to 500 selections of the most popular brands in under 2,000 square feet of display space, are often the most cost-effective way for the LCBO to expand its retail store network. There are now 11 mini stores in total, including this one in the Beach area of Toronto.*

*We're wrapping up $20 million in annual gift sales as more and more shoppers turn to the LCBO as their year-round source for affordable presents.*



## MOVING AHEAD IN A TIME OF UNCERTAINTY

The LCBO's results for 1996-97 would be impressive at any time, but I believe they are even more impressive because we accomplished them during a year of considerable uncertainty for our organization.

We were under pressure to reduce our expenses even more, although we had made a number of significant cuts in the previous couple of years. The Operational Agency Review (OAR), carried out by staff of the Management Board of Cabinet and other ministries and an independent retail consultant, examined our Head Office operations and recommended further cuts in spending: another $41.9 million in 1996-97, and a further $13.9 million in 1997-98.

We achieved the first target and bettered it. The cuts were accomplished through significant decreases in net inventory, reduction in capital expenditures and in Head Office expenses, improvements in retail and warehouse productivity and closure of our bottling plant in the Toronto warehouse.

Another cause for uncertainty was that the retail scene was still in the doldrums for most of the year. However, we enjoyed the third year of increased sales, for a total increase over three years of 14.3 per cent. To our knowledge, no other retail organization came close to our performance.

THE FUTURE MAY SEE US OFFERING EVEN MORE TYPES OF SHOPPING ENVIRONMENTS, INCLUDING POSSIBLY A BULK WINE STORE WHERE CUSTOMERS CAN GO TO BOTTLE THEIR OWN WINE, MORE GIFT CENTRES, AND ADDITIONAL ETHNIC STORES TO BETTER SERVE OUR DIVERSIFIED CUSTOMER BASE.

And of course the greatest cause of uncertainty, which continued throughout the fiscal year, was the question of our future: would the LCBO be privatized? Would parts of our organization be sold off? Would there be some arrangement combining private- and public-sector retailing?

Shortly after the beginning of the new fiscal year, in April of 1997, the government released its framework for privatization review. It laid out the ground rules for determining how to assess various government services and entities in order to decide how to "improve service to the customer and value to the taxpayer... in an open and accountable way." The LCBO was not among the first candidates named for review, so presumably it will be some time before our future direction is clear.

"LCBO'S PARTICIPATION IN PROJECT RED RIBBON '96 ALLOWS US THE OPPORTUNITY TO REMIND PEOPLE OF OUR MESSAGE TO 'DRIVE SAFE, DRIVE SOBER'."

TONY CARVALHO, CHAIR OF MADD CANADA

## CONSTRAINTS ON GROWTH

A large organization like the LCBO needs to be forward-thinking. It needs to plan ahead: some initiatives take a long time to come to fruition and all must be seen in the context of the operations of the whole. Strategic business planning has long been an important part of LCBO operations: we look not just a year or two ahead, but do our best to anticipate what the more distant future holds, so we can effectively prepare for it.

Also, in order to attract and retain qualified staff, an organization must have a certain level of stability. Although there is probably no such thing as job security at the end of the twentieth century, an organization facing the possibility of a radical change imposed on it is at something of a disadvantage in the marketplace.

We believe that the LCBO has proven itself highly effective in combining the roles of retailer, regulator and advocate of social responsibility – and in evolving with the times.

In this period of government restraint we have been challenged to do more with less, to focus on our core business and to build an even better organization. I believe we have more than met that challenge.

*LCBO investigators, with assistance from police and Canada Customs officials, are winning the battle against smugglers and illegal alcohol manufacturers. Here they pose with some of the $11 million in illicit alcohol seized in the last two years.*

EVERY YEAR, THE ORGANIZATION RAISES $1.5 MILLION FOR CHARITY THROUGH IN-STORE DONATION BOXES, THE EMPLOYEE UNITED WAY CAMPAIGN, GOLF AND SOFTBALL TOURNAMENTS, SKI DAYS, BAKE AND BOOK SALES, AND MORE.

In this period of government restraint we have been challenged to do more with less, to focus on our core business and to build an even better organization. I believe we have more than met that challenge. I have confidence that, given a stable basis for our ongoing planning and government support for reinvesting in our business, we can continue to meet the challenges of the future.

There's no doubt that doing our best to prove our organization's value to the government and taxpayers of Ontario has been good for the LCBO – and good for our customers, as well as for the taxpayers and the government. Our operations are stronger than ever and the numbers show it. But one of the prices of the uncertainty about our future has been a loss of valuable staff, particularly from Head Office.

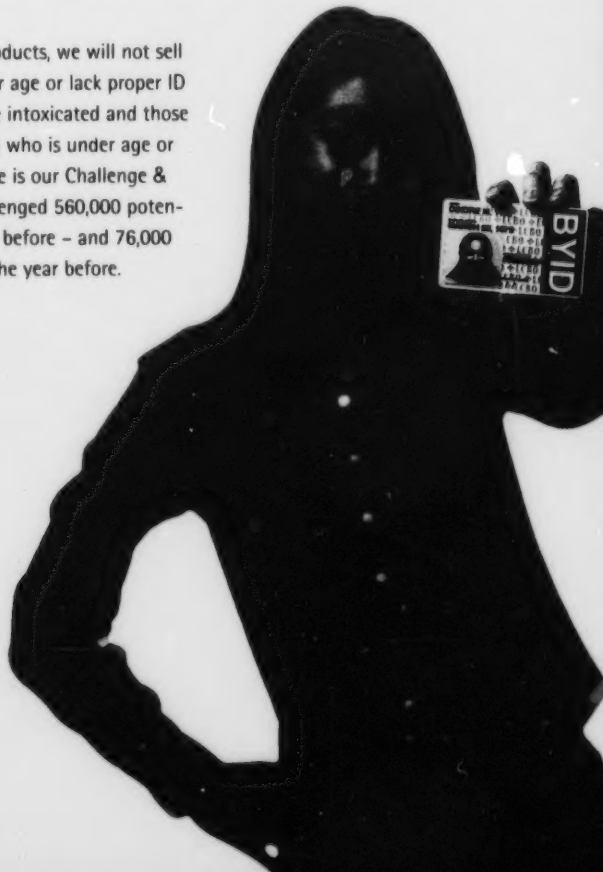
There comes a time when reducing expenses is counter productive to maintaining a top-quality organization. According to the old saying, it takes money to make money, and we must continue to make judicious investments in our operations, and to reinvest a portion of our profits in the business, if we are to have continued success.

We hope the uncertainty that surrounds our future will soon be resolved, so we can continue fulfilling our vision of serving our customers, supporting social responsibility, and providing a strong source of revenue to benefit the provincial government and the people of Ontario.

## THE "SOCIAL RESPONSIBILITY" SIDE OF THE BUSINESS

It's a cliché to point out that our business is not just like any other business and our products are not just like any other products. We take our mandate for social responsibility in the purchase and consumption of beverage alcohol just as seriously as our mandate to make a profit for the provincial government.

Although we are in business to sell our products, we will not sell them to some people: those who are under age or lack proper ID to prove their age, those who appear to be intoxicated and those who we suspect are shopping for someone who is under age or intoxicated. The main tool for this initiative is our Challenge & Refusal program. In 1996, LCBO staff challenged 560,000 potential customers – up from 295,000 the year before – and 76,000 were refused service – 16,000 more than the year before.




*Our new BYID card and Check 25 programs contributed to a large increase in the number of challenges – nearly 560,000, up from 295,000 the year before. Of those challenged, 76,000 were refused service for either failing to provide valid identification or for appearing intoxicated. That is 16,000 more than in 1995-96.*

"WITHOUT YOU, HOWEVER, THERE WOULD BE NO WAY FOR US TO HELP THE MORE THEN ONE MILLION PEOPLE IN OUR COMMUNITY WHO WILL TURN TO A UNITED WAY-FUNDED AGENCY THIS YEAR. WE ARE TRULY GRATEFUL TO YOUR ENTIRE ORGANIZATION FOR YOUR CONTINUED SUPPORT AND GENEROSITY."

ANNE GOLDEN,
PRESIDENT,
UNITED WAY OF
GREATER TORONTO

In December 1996, we introduced *Check 25* – a policy of asking for proof of age for anyone who appears to be under 25 years of age – to make very sure we do not sell beverage alcohol to minors. Since that time the number of challenges has almost doubled but the number of refusals has not increased by the same measure. So we are confident we are weeding out the vast majority of under-age, would-be customers.

Our BYID *(Bring Your ID)* program focuses on the long summer weekends that account for the highest numbers of alcohol-related accidents on Ontario's roads and waterways. Staff wear buttons inviting customers to ask about our social responsibility programs. We have developed and introduced a tamper-proof BYID photo card, which has been endorsed as valid proof of age by the provincial government. Cards can be obtained, with proper documentation and a $15 fee, at all LCBO stores. And, yes, we do perform random checks to ensure applications and guarantors are valid.

Also within the broad area of social responsibility, we and our customers raise a considerable amount of money for charity each year, and 1996-97 was no exception. I have already mentioned the $147,000 we were able to donate to environmental causes as a result of our *Help Save the Animals* campaign. As well as that, the coin boxes on our cashiers' counters brought in more than a quarter of a million dollars during the fiscal year; this money went to a wide range of health and social service agencies.

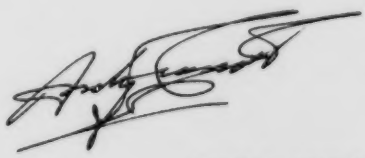
The proceeds of in-store product tastings go to charity and LCBO employees carry out many fund-raising efforts for their communities and our corporate United Way campaign each year. In all, the LCBO raised more than $1.5 million for worthy causes during 1996.

## ANOTHER 70 YEARS?

As we look ahead to our next year-end results, we are optimistic. We are projecting further sales growth of approximately 4 per cent, or $76 million, which will take us well over the $2 billion mark in net sales. We expect to achieve a record level of litre sales – 228 million litres, a nine-million litre increase. We forecast a modest growth in sales of spirits – about 2 per cent; a growth of almost 3 per cent in wine sales; and continuing strong beer sales. These projected numbers are predicated on a strengthening of the home-consumer market.

In short, we look forward to another year of firsts: highest net sales, highest net income and highest transfer to the Ontario Treasury.

It is now 70 years since the LCBO was established in 1927, and we will be celebrating that anniversary in various ways during the calendar year. We've come a very long way and we look forward to many more years of continuing improvement and responsible and responsive service. ■



ANDREW S. BRANDT
CHAIR AND CHIEF EXECUTIVE OFFICER
JUNE 1997

# Beyond the numbers

Management's discussion and analysis of operations

"THE PROVINCE'S LIQUOR CONTROL BOARD NOW OFFERS, THROUGH A HANDY TELEPHONE-ORDERING SYSTEM, A TWICE-YEARLY SELECTION [CLASSICS CATALOGUE] OF COVETED WINES AT PRICES THAT MIGHT INSPIRE U.S. CONNOISSEURS TO MOVE NORTH."

BEPPI CROSARIOL, GLOBE AND MAIL

## The Annual Report

*Under* the Liquor Control Act, *we're required to prepare an annual report to the Minister of Consumer and Commercial Relations. The Minister submits the report to Cabinet and tables it in the Provincial Legislature. Like the Annual Report of a corporation, this document is first and foremost a formal record of the LCBO's financial performance for our past fiscal year. This year, we've reorganized the Annual Report and rewritten it in plain language, to make it easier to use and understand. We've also included boxes like this one, with explanations of technical terms. If you would like further information or extra copies of this report, please ask us:*

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On the Internet: http://www.lcbo.com

## Management's discussion and analysis of operations

*Canadian securities regulations require companies to report annual financial information, including:*

- *an income statement*
- *a balance sheet*
- *a statement of changes in financial position*
- *other information depending on the nature of the company's business.*

*The annual report must also include a discussion of the company's operating results over time, in a section called "Management's discussion and analysis of operations." As a government enterprise, the LCBO is not subject to these regulations. However, we've decided to include a fuller discussion of our operations this year, in the interests of accountability, and to make our annual report accessible to the widest possible audience.*

| HIGHLIGHTS | 1997 | 1996 |
|---|---|---|
| | (values in $000s) | |
| *Net sales and other income* | *$2,013,873* | *$1,909,804* |
| *Operating expenses* | *324,457* | *323,819* |
| *Operating expenses as a percentage of net sales and other income* | *16.11%* | *16.96%* |
| *Net income* | *701,030* | *666,717* |
| *Transfers to Government* | *730,000* | *680,000* |

IMAGE STORES (156 OF THE NEARLY 600 LCBO STORES) HAVE CONSISTENTLY GENERATED HIGHER REVENUES AFTER RENOVATIONS. UPGRADES HAVE QUICKLY PAID FOR THEMSELVES AND IMAGE MAKEOVER STORES HAVE CONTRIBUTED MORE TO OUR BOTTOM LINE. IN MOST INSTANCES, THE COMBINATION OF SALE OF SPACE TO SUPPLIERS, NEW DECOR AND IMPROVED DISPLAYS HAS INCREASED SALES. IN FISCAL 1996-97, SALES INCREASES IN LCBO IMAGE STORES WERE 7.0 PER CENT, COMPARED TO 5.8 PER CENT FOR NON-IMAGE STORES.

## A RECORD YEAR FOR SALES

### LCBO sales rose for the third year in a row

Net sales rose by $110 million in 1997. Total net sales and other income surpassed $2 billion for the first time ever. Since 1994, net sales have grown by more than $248 million.

Our sales continue to grow faster than the retail market as a whole.

- Over the past year, LCBO sales grew by 5.8 per cent. Sales in the Ontario retail market as a whole rose by just 0.1 per cent.
- Over the past three years, LCBO sales have grown by 14.2 per cent. Sales in the Ontario retail market as a whole rose by 10.1 per cent.

Measured by volume, sales grew by 6.2 per cent last year, the fourth consecutive year of volume growth. Since 1993-94, litre sales have grown by more than 19 per cent.

### Total revenues, gross sales, and net sales

*Total revenues are gross sales and other income less discounts. Gross sales include all relevant sales taxes and discounts. Net sales are gross sales less federal and provincial sales taxes and any discounts (such as licensee and diplomatic discounts). Net sales is usually the first figure you see when you look at the earnings statement of any company.*

### Beer led the way

Beer sales were up by 10.3 per cent, wine sales by 8.9 per cent and spirits by 2.8 per cent over 1995-96. Measured by volume, the pattern was the same: beer sales rose by 9.7 per cent, wine by 4.8 per cent and spirits by 2.3 per cent.

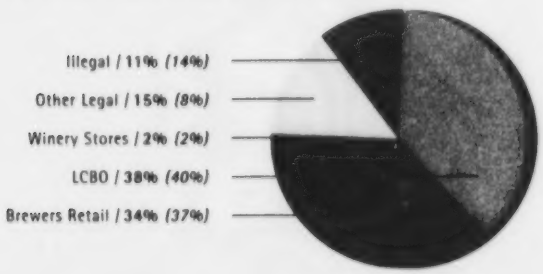
### Domestic products becoming more price competitive

Sales of domestic products increased by 4.9 per cent. Sales of imported products rose by 6.7 per cent. Measured by volume, sales of domestic products increased by 8.1 per cent, compared to 4.1 per cent for imported products. Ontario wines again increased their share of the provincial wine market, to 45.4 per cent from 43.2 per cent.

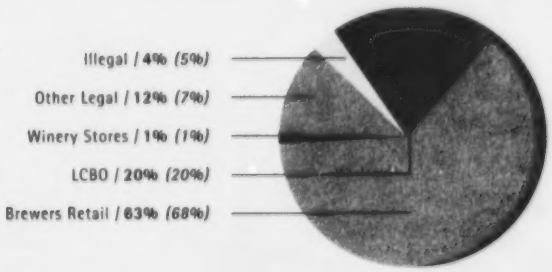
### Measuring sales

*We present sales by dollar value and by volume. These figures help us analyze important trends. For example, if the volume – the number of bottles sold – for a product remains the same, but the dollar value of sales rises, the increase must be accounted for by higher prices. The product is becoming more expensive. On the other hand, if the volume of a product or product category rises more than dollar sales, the product is becoming more price competitive.*

**ONTARIO BEVERAGE ALCOHOL MARKET BY VALUE**
**Fiscal 1996-97; Fiscal 1995-96 in brackets**




**ONTARIO BEVERAGE ALCOHOL MARKET BY VOLUME**
**Fiscal 1996-97; Fiscal 1995-96 in brackets**



"THE LCBO IS ACTUALLY THE BIGGEST NEW PLAYER IN TOWN WHERE IT COMES TO WINE EDUCATION."

DAVID LAWRASON,
WINE WRITER,
GLOBE AND MAIL

## LCBO'S POSITION IN THE ONTARIO MARKETPLACE

### Improving our overall position

LCBO outlets compete in the Ontario marketplace with Brewers Retail Inc., the stores of Ontario wineries, and establishments where consumers make their own wine and beer. We have no legal competitors in the spirits market. In total, there are more than 1,800 outlets selling alcohol in Ontario. Here's what the market looks like:

- 595 LCBO stores *(32.4 per cent of all outlets)*
- 428 Brewers Retail stores *(23.3 per cent of all outlets)*
- 346 U-Brew/U-Vint outlets *(18.9 per cent of all outlets)*
- 330 Ontario winery stores *(18.0 per cent of all outlets)*
- 90 LCBO agency stores *(4.9 per cent of all outlets)*
- 30 on-site brewery stores *(1.6 per cent of all outlets)*
- 11 border-point duty-free stores *(0.6 per cent of all outlets)*
- 3 on-site distillery stores *(0.2 per cent of all outlets)*
- 2 privately-operated airport duty-free stores *(0.1 per cent of all outlets)*

As the pie charts on page 20 show, in 1996-97 we retained our relative position in terms of volume and lost value share, owing to a reassessment of the sales of beer and wine through U-Brew and U-Vint outlets.

### A larger share of the beer market and a smaller share of the wine market

Our share of the total provincial beer market grew from 10.2 per cent to 11.1 per cent (an increase of 8.3 million litres). Brewers Retail's share of the beer market shrank from 84.9 per cent to 82.6 per cent.

Our share of the wine market fell from 53.9 per cent to 38.6 per cent. Winery retail stores also declined while the U-Brew/U-Vint outlets increased their market share.

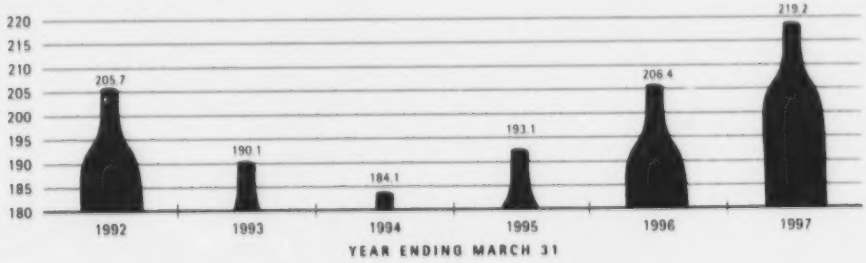
- The winery retail stores share of the wine market fell from 10 per cent to 7.5 per cent.
- The U-Vint's share of the wine market grew from 14 per cent to 29.9 per cent.

The apparent dramatic shift in the share of the market held by the U-Brew/U-Vint sector largely reflects previous under-estimates about the size of this market. A recent study commissioned by the Brewers of Ontario resulted in these more accurate figures.

### Lower illegal market sales

The value share of the provincial market held by smuggled spirits and illegally-manufactured wine fell from an estimated 14 per cent in 1995-96 to 11 per cent in 1996-97. This translates into an additional $13 million in net sales for the LCBO – and increased revenue for the Ontario Government.

**LCBO VOLUME SALES TREND 1992-97**
*(values in millions of litres)*



CONSIDERING THE COST OF REAL ESTATE IN PRIME LOCATIONS LIKE DOWNTOWN TORONTO, MINI STORES WITH THEIR REDUCED CAPITAL INVESTMENT ARE OFTEN THE MOST COST-EFFECTIVE WAY FOR THE LCBO TO EXPAND ITS NETWORK. MOST MINI STORES HAVE PAID FOR THEMSELVES IN SHORT ORDER; FOR EXAMPLE, TORONTO'S BEACH MINI STORE PAID FOR ITSELF IN SIX MONTHS, WHILE THE CHINESE KIOSK IN MARKHAM TOOK ONE YEAR.

## THE REASONS FOR OUR SUCCESS

We outperformed the retail sector in Ontario because of:

- better service to customers
- innovative marketing and merchandising
- our continuing drive against smuggled spirits and illegally-manufactured wine.

### Better service

We continued to improve service. For example:

- more people are using our expanded customer payment options. Introduced in 1994, credit- and debit-card payments now account for 26 per cent of all LCBO sales.
- we adjusted our mix of stores to meet the needs and populations of the communities they serve. We relocated stores in Barrie, Sudbury, Mississauga, Kanata and Toronto. We opened three new mini stores, one in Barrie and two in Toronto. And we completed major renovations of stores in London, Ottawa and Owen Sound.
- we introduced a new look, new services and new amenities in our urban IMAGE stores.
- we increased training of LCBO staff about the products we sell. The product knowledge and customer service training were often presented in association with suppliers and industry trade groups. A more knowledgeable staff leads to trading-up and experimentation by customers, which means additional revenues and profits.

### Innovative marketing and merchandising

Here are some other programs we undertook this year that increased both sales and customer satisfaction:

- *Shop the World* theme promotions
- Limited Time Offers (temporary price reduction of up to 20 per cent on selected products)
- Value-adds (bonus items that suppliers attach to their products).

Vintages, the LCBO's premium products division, increased sales by 33.8 per cent over fiscal 1995-96 which, in turn, was 22.4 per cent greater than fiscal 1994-95.

Vintages *Classics Catalogue* sales amounted to $9 million in the last fiscal year and have totalled $23 million since the introduction of the catalogue in 1994.

### Progress against illegal market sales

Since 1992, when we first identified the severity of the problem, the LCBO has been a leader in focusing attention on the trade in illicit alcohol and helping to marshal enforcement efforts.

Our Investigative Services Unit works closely with federal, provincial and municipal police forces, the Liquor Licence Board and Canada Customs to stop the flow of smuggled and illegally-manufactured alcohol. In 1996-97, enforcement agencies seized over 600 thousand litres of smuggled spirits and about 100 thousand litres of illegally-manufactured wine.

Reducing the size of the illegal market means higher sales through legal channels – particularly through the LCBO – and reduced health risks.

## REGIONAL SALES PATTERNS

Sales gains in the four LCBO regions were as follows:

- 6.0 per cent in the Central Region
- 5.9 per cent in the Western Region
- 5.0 per cent in the Eastern Region
- 2.8 per cent in the Northern Region.

These increases support the view that an improving economy and success in curbing illegal alcohol activity are boosting sales. Central Region is traditionally most affected by illegal activity, followed by the Eastern, Western and Northern regions.

## RETAIL AND WHOLESALE SALES

Retail sales – sales to the home consumer – amounted to about $1.7 billion in 1996-97 and accounted for 82.2 per cent of total sales. However, the share of total sales accounted for by our wholesale business has been steadily increasing, from 14.8 per cent in 1992-1993 to 17.8 per cent in 1996-97. An area of particular growth in the wholesale sector has been in imported beer to Brewers Retail for re-sale to the public.

### Gross margin rate

*Margin is the difference between revenues and the cost of sales. Gross margin includes profit and other expenses. The gross margin rate is margin expressed as a percentage of total revenues. It indicates the rate of profit on net sales. The formula for gross profit margin is:*

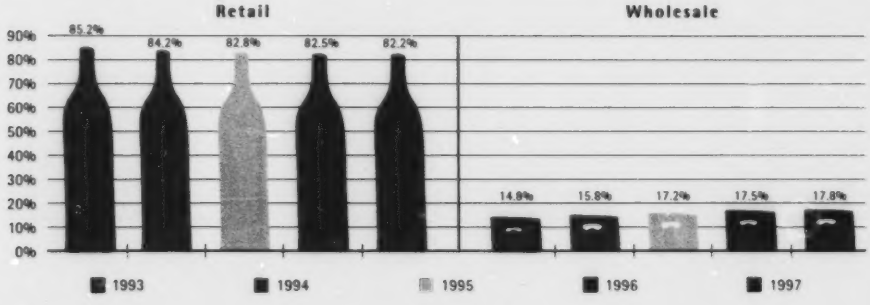
$$\frac{\text{Net sales - cost of goods sold}}{\text{Net sales}} \times 100$$

## A FALLING GROSS MARGIN RATE

LCBO's gross margin rate has been falling for the past five years. The reasons:

- a gradual shift away from spirits as a share of total LCBO sales towards wine and beer. The margin on wine and beer is lower than on spirits.
- a decline in the margin rate for wine and beer, as the supplier prices (the cost of goods sold) has risen. This has happened despite our success in reducing in-bound freight expenses by 5.0 per cent, which has a positive impact on the average landed cost of our products.
- an increase in wholesale sales as a share of our total sales. The margin on wholesale sales is lower than on retail sales because we charge wholesale customers less.

**LCBO PER CENT SALES CONTRIBUTION BY CUSTOMER SEGMENT**
*(per cent of sales)*




"AT A TIME WHEN GOVERNMENT-OWNED BUSINESSES ARE OFTEN DISCREDITED AS BEING INEFFICIENT, IT'S REFRESHING TO NOTE THAT CANADA'S MOST PROFITABLE BUSINESS BELONGS TO A GOVERNMENT – THE GOVERNMENT OF ONTARIO NO LESS. EVEN MORE AMAZING, THIS GOVERNMENT-OWNED BUSINESS, THE LIQUOR CONTROL BOARD OF ONTARIO, ACHIEVED ITS HIGHEST BUSINESS HONOUR AGAINST A BACKGROUND OF INCREASED HEALTH AWARENESS AMONG THE POPULATION AND A MARKED DECREASE AMONG CANADIANS IN ALCOHOL CONSUMPTION SINCE 1989, WITH THE GREATEST DROP IN ONTARIO."

BILL REID
EDITORIAL,
KINGSTON
WHIG-STANDARD

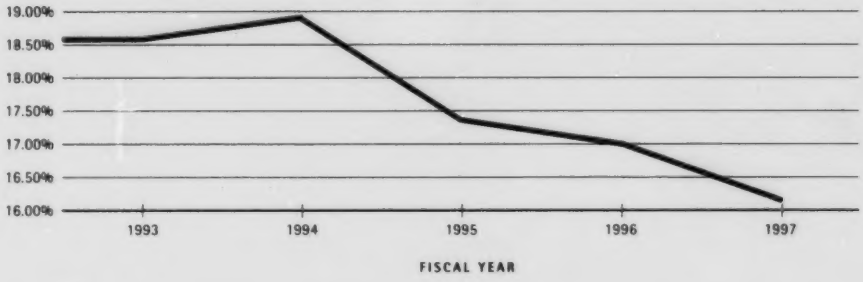
THE BEER COLD ROOM PROGRAM HAS BEEN IN PLACE FOR THE PAST SIX YEARS, AND COMES WITH ITS OWN CUSTOM DECOR. THE INVESTMENT IN BEER COLD ROOMS BENEFITS THE LCBO'S BOTTOM LINE: STORES WITH BEER COLD ROOMS HAVE EXPERIENCED A 6.2 PER CENT SALES INCREASE, WHILE THOSE WITHOUT HAVE SEEN 4.4 PER CENT INCREASES. OF THE 177 LCBO COMBO STORES, 66 NOW HAVE BEER COLD ROOMS. IN TOTAL, THEY OFFER MORE THAN 33,000 SQUARE FEET OF REFRIGERATED DISPLAY SPACE.

## THE INCOME STATEMENT: REDUCED EXPENSES

*(The Statement of Income and Retained Income is on page 39 of this report.)*

Over the past four years, the LCBO has reduced total operating expenses as a percentage of net sales and other income by 14.8 per cent. Expressed as a percentage of net sales and other income, expenses have fallen from 18.9 per cent in 1994 to 16.1 per cent in 1997.

**EXPENSES AS A PERCENTAGE OF NET SALES & OTHER INCOME**




We achieved this reduction through new technologies at the stores, warehouses and Head Office. This has enabled us to reduce the permanent full-time workforce by nearly 19 per cent since 1990.

During the past year, we implemented many of the recommendations in the Government's Operational Agency Review (OAR) report. With cost savings and productivity gains of $79.2 million, we surpassed the OAR target of $41.9 million by almost 100 per cent.

We also hired a consultant to help identify further savings and efficiencies at Head Office.

**Operational expenses**

*Operational expenses are the direct costs of operating our 595 stores and five warehouses, including related Head Office support activities.*

**Operational expenses**

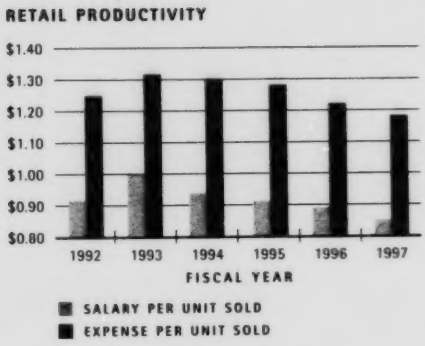
In 1996-97, operational expenses grew by $1.8 million. This reflects $3.9 million in higher costs associated with debit-credit charges and outbound freight, both of which are driven by increased sales.

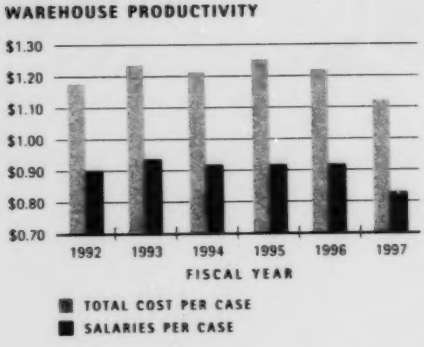
Expressed as a percentage of sales, expenses actually dropped by 5.4 per cent. The number of full-time equivalent positions in front line jobs was reduced by 1.8 per cent, from 4,008 to 3,936.

As the following tables indicate on page 25, significant improvements were achieved, in terms of both retail and wholesale productivity.

**Administrative expenses**

*Administrative expenses are all costs not directly associated with warehousing and retail sales. They include finance and administration, human resources, information technology and corporate offices.*




"UNDER BRANDT'S GUIDANCE, THE LCBO WILL POUR A RECORD $700 MILLION INTO THE ONTARIO TREASURY THIS YEAR, ENOUGH MONEY TO RUN THE MINISTRIES OF ENVIRONMENT, ENERGY, LABOUR, CULTURE, RECREATION AND CONSUMER AND COMMERCIAL RELATIONS FOR 12 MONTHS."

JEFF HARDER, TORONTO SUN

**Reduced administrative expenses**

We reduced administrative expenses by $2.3 million, a drop of 7.6 per cent. Expressed as a percentage of sales, expenses were reduced by over 12.5 per cent. The number of full-time equivalent positions in administrative jobs was reduced by 8.2 per cent.

Workers' compensation costs related to lost workdays were reduced by about a third, a savings of nearly $600,000.

## IMPROVEMENTS IN THE BALANCE SHEET

(The Balance Sheet is on page 38 of this Report.)

**The balance sheet**

*The balance sheet is a financial statement showing a company's assets (what the company owns or is owed), liabilities (the company's debts) and shareholders' equity (the ownership interest the shareholders have in the company, after deducting liabilities from assets) on a particular date. In a government enterprise like the LCBO, there is no shareholders' equity. The owners are the taxpayers of Ontario, and their stake in the company is represented by the significant contributions the LCBO makes to the government's revenues.*

**Lower inventory overall**

LCBO inventory at the end of 1996-97 was $9.5 million lower than at the end of 1995-96, a 4.7 per cent decline.

Net inventory investment at year-end fell even more dramatically, from $100.1 million to $55.6 million, a drop of 44.5 per cent. Net inventory investment declined because a greater share of product was bought on longer payment terms: the money owed for inventory increases from $103.8 million at the end of 1995-96 to $142.6 million in 1996-97.

EVERY DIVISION DEVELOPED SPECIFIC OBJECTIVES THAT SUPPORTED CORPORATE STRATEGIES, ALONG WITH DETAILED BUSINESS PLANS THAT DOCUMENTED HOW THESE OBJECTIVES WERE TO BE MET. THESE BUSINESS PLANS EXTENDED TO EVERY DEPARTMENT, FACILITY AND STORE IN THE LCBO NETWORK; IN FACT, OVER 100 AREAS DEVELOPED IN EXCESS OF 650 BUSINESS PLANS FOR IMPLEMENTATION DURING FISCAL 1996-97.

**The importance of inventory**

*Inventory – unsold product on hand, valued at cost – is a current asset because it can usually quickly be turned into cash. Inventory is also viewed as a cost because it represents capital that is not earning money. Companies try to minimize the capital they have tied up in inventory through just-in-time delivery, timely sales forecasts, and other inventory-management techniques. In other words, companies try to increase the number of times they turn over inventory in any given period. The formula for the inventory turnover ratio is:*

$$\frac{\text{Cost of goods sold}}{\textit{Average Inventory}}$$

*Inventory investment is an increase in the stock of unsold product, which can happen when sales fall. Net inventory is inventory that has been fully paid for. Lengthening payment terms to suppliers reduces a company's net inventory investment but increases short-term debt.*

LCBO's inventory turnaround ratio has remained around 5.0 for the past four years.

**Lower retained income**

Retained income was lower at the end of 1997 than in 1996 because we transferred some of our retained income to government.

## CHANGES IN OUR FINANCIAL POSITION

(The Statement of Changes in Financial Position is on page 39 of this Report.)

Cash from LCBO operations increased by about $35.5 million (5.2 per cent), a direct result of improved sales.

**Reduced investment to meet government targets**

At the request of the provincial government, we reduced spending on new stores, renovations and information technology from a planned $27 million to less than $20 million. We have reduced our capital budget for 1997-98 by $5 million, from $28 to $23 million.

| CAPITAL EXPENDITURES (values in $000s; numbers rounded) | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 |
|---|---|---|---|---|---|---|
| Retail | 19,330 | 16,059 | 11,914 | 13,194 | 14,442 | 8,110 |
| Information Technology | 3,770 | 3,305 | 1,508 | 9,826 | 8,639 | 8,720 |
| Distribution | 1,362 | 925 | 1,156 | 2,201 | 1,868 | 782 |
| Marketing Programs | 0 | 230 | 1 | 1,734 | 1,600 | 1,554 |
| Other Administrative Divisions | 1,293 | 557 | 173 | 681 | 670 | 248 |
| **Total Capital Expenditures** | **25,754** | **21,075** | **14,753** | **27,636** | **27,219** | **19,413** |

Cash transfers to the provincial government amounted to $730 million.

As a result of these and other cash flows during the year, our cash position at the end of the year rose $23.6 million to $49.6 million.

"*SHOP THE WORLD* IS A PRIME EXAMPLE OF HOW PUBLIC AND PRIVATE SECTOR PARTNERSHIPS CAN WORK TOGETHER TO THE ULTIMATE BENEFIT OF THE CONSUMER."

JIM CLARK,
ONTARIO SALES AND
MERCHANDISING
MANAGER, VINCOR
INTERNATIONAL INC.

### RISKS AND UNCERTAINTIES

The LCBO continues to face competition. In recent years, we've been successful in curbing the trade in illegal alcohol, both through our enforcement efforts and by publicizing the problem. The challenge is to continue that success in the years ahead.

Our prospects are also affected by broader trends over which we exercise little control. For example, the trend towards increased consumption of beer and wine at the expense of spirits affected LCBO profits because the margins on beer and wine are lower than on spirits.

Consumption patterns are often influenced by social and health issues. Media reports of research showing that moderate consumption of beverage alcohol has beneficial health effects (the so-called French Paradox) led to higher sales, particularly of red wine.

The LCBO also faces the challenge of dealing with an uncertain future for the organization itself: decisions by the Government of Ontario could change the retail and distribution structure and ownership patterns in the provincial beverage alcohol market.

Whatever our future – and whatever the shared nature of the market that emerges – we believe that by continually improving customer service while aggressively managing costs, we can strengthen our position in the $5.9 billion provincial beverage alcohol market. ■

## Public Sector Disclosure Act

*The Public Sector Disclosure Act*, passed by the Ontario Legislature in 1996, is designed to make the public sector more open and accountable to taxpayers. The Act requires Ontario's public sector organizations, including the LCBO, to disclose annually the names, positions, salaries and taxable benefits of all employees paid $100,000 or more a year. In keeping with the requirements of the Act, the LCBO submits the following information for fiscal 1996-97.

| NAME | POSITION | SALARY PAID | TAXABLE BENEFITS |
|---|---|---|---|
| Brandt, A. | Chair & CEO | $104,063.89 | $509.16 |
| Browning, J.A. | VP, Finance & Administration | $117,937.80 | $1,079.66 |
| Clute, C.P. | (seconded to Min. of Finance) | $100,700.51 | $492.64 |
| Dunning, R. | VP, Corporate Affairs | $100,445.58 | $491.54 |
| Gee, L.C. | Executive Vice President | $152,301.41 | $759.74 |
| Kane, M. | VP, Human Resources | $108,861.45 | $532.76 |
| Kelly, H. | VP, Information Technology | $109,339.99 | $530.58 |
| Martin, J. | VP, Distribution | $106,808.43 | $532.76 |
| Sherwood, G. | VP, Retail | $120,569.31 | $586.14 |
| Wilcox, D. | VP, Merchandising | $120,728.72 | $589.28 |

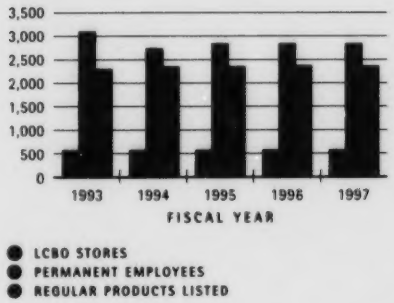
# Key Operational and Financial Statistics

The following table lists three of the most important variables related to the operations of the LCBO: number of stores, of permanent employees and of regular products listed.

**OPERATIONS**

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Number of LCBO Stores | 611 | 600 | 597 | 596 | 595 |
| Number of Permanent Employees | 3,100 | 2,743 | 2,824 | 2,803 | 2,828 |
| Number of Regular Products Listed | 2,302 | 2,336 | 2,389 | 2,377 | 2,349 |

**KEY INDICATORS: 1993-1997**

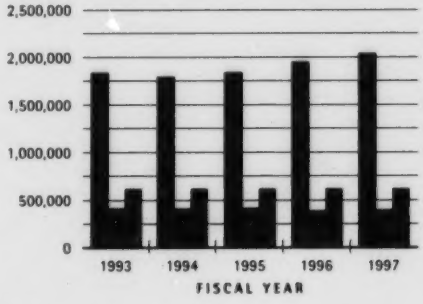



The critical financial variables of net sales, total operating expenses and net income are given in the following table.

**FINANCIALS** *(values in $000s)*

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Net Sales and Other Income | 1,786,479 | 1,764,731 | 1,808,518 | 1,909,804 | 2,013,873 |
| % change/ previous year | -2.56% | -1.22% | 2.48% | 5.60% | 5.45% |
| Operating Expenses | 332,953 | 333,716 | 313,029 | 323,819 | 324,457 |
| As a % of net sales | 18.64% | 18.91% | 17.31% | 16.96% | 16.11% |
| Net Income | 612,466 | 598,909 | 637,299 | 666,717 | 701,030 |
| As a % of net sales | 34.28% | 33.94% | 35.24% | 34.91% | 34.81% |

**FINANCIAL INDICATORS: 1993-1997**
*(values in $000s)*

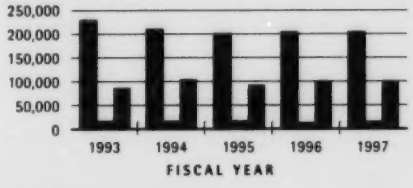



Note: The LCBO refers to sales in three different ways: first, gross sales which include the Federal Goods and Services Tax and the Provincial Sales Tax; second, net sales which exclude the two sales taxes and any relevant discounts (e.g., the discounts provided to licensees by the LCBO); and third, net sales also excluding any sales through the LCBO Private Stock Program. The Sales and Other Income line listed in the table consists of net sales plus any other income (e.g., interest on investments). Gross sales are given in the Sales Channel Summary on page 32.

**BREAKDOWN OF OPERATING EXPENSES** *(values in $000s)*

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Salaries and Benefits | 225,153 | 209,900 | 200,344 | 204,629 | 203,699 |
| Depreciation | 22,832 | 21,070 | 18,613 | 20,962 | 22,167 |
| Other Expenses | 84,968 | 102,746 | 94,072 | 98,228 | 98,591 |
| **Total Operating Expenses** | 332,953 | 333,716 | 313,029 | 323,819 | 324,457 |

**OPERATING EXPENSES: 1993-1997**
*(values in $000s)*



## REVENUE PAYMENTS

*Year ended March 31, 1997*

The following tables show the breakdown of LCBO revenue payments for the last five years to the federal, provincial, and municipal governments.

*(all values in $000s)*

### TREASURER OF ONTARIO

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Remitted by the Liquor Control Board: On account of profits | 615,000 | 585,000 | 630,000 | 680,000 | 730,000 |
| Remitted by the Liquor Control Board: Ontario retail sales tax on sales through liquor stores | 178,797 | 173,497 | 174,189 | 182,762 | 192,357 |
| Remitted by the Liquor Licence Board: On account of licence fees and permits | 511,307 | 521,784 | 532,116 | 529,690 | 520,829 |
| Remitted by others: Ontario retail sales tax on sales through Brewers Retail stores and Ontario Winery Retail Stores | 148,742 | 149,894 | 154,157 | 157,046 | 157,582 |
| Ontario retail sales tax on sales through LCBO agency stores | 1,809 | 1,786 | 1,927 | 2,301 | 2,565 |
| **Total** | **1,455,655** | **1,431,961** | **1,492,389** | **1,551,799** | **1,603,333** |

### RECEIVER GENERAL FOR CANADA

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Remitted by the Liquor Control Board: Excise taxes and Customs duties | 237,316 | 225,518 | 227,803 | 235,022 | 239,058 |
| Goods and Services Tax | 61,215 | 59,137 | 60,939 | 60,344 | 64,672 |
| Federal Sales Tax | 0 | 0 | 0 | 0 | 0 |
| Remitted by others: Excise taxes, GST and other duties/taxes | 260,555 | 276,477 | 319,839 | 327,660 | 342,763 |
| Good and Services Tax remitted on sales through LCBO agency stores | 1,055 | 1,042 | 1,124 | 1,343 | 1,496 |
| **Total** | **560,141** | **562,174** | **609,705** | **624,369** | **647,989** |

### ONTARIO MUNICIPALITIES

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Remitted by the Liquor Control Board: Grants in lieu of realty and business taxes | 6,262 | 6,218 | 6,084 | 6,188 | 5,816 |
| **Total Revenue Payments** | **2,022,058** | **2,000,353** | **2,108,178** | **2,182,356** | **2,257,138** |

Note: These amounts do not include corporation, realty and business taxes paid by the distilleries, wineries, breweries and licensees. Ontario Retail Sales Tax collected by the licensees and agency stores on sales of beverage alcohol is excluded from these figures. The 1997 figures for Remitted by Others are slightly understated due to eight brewers not reporting financial information at the time of publication. Ontario Retail Sales Tax and Goods and Services Tax remitted on sales through LCBO agency stores are estimates.

# Key Operational and Financial Statistics

The following table lists three of the most important variables related to the operations of the LCBO: number of stores, of permanent employees and of regular products listed.

**OPERATIONS**

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Number of LCBO Stores | 611 | 600 | 597 | 596 | 595 |
| Number of Permanent Employees | 3,100 | 2,743 | 2,824 | 2,803 | 2,828 |
| Number of Regular Products Listed | 2,302 | 2,336 | 2,389 | 2,377 | 2,349 |

**KEY INDICATORS: 1993-1997**

- LCBO STORES
- PERMANENT EMPLOYEES
- REGULAR PRODUCTS LISTED

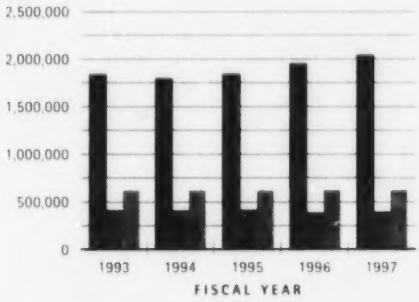
The critical financial variables of net sales, total operating expenses and net income are given in the following table.

**FINANCIALS** *(values in $000s)*

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Net Sales and Other Income | 1,786,479 | 1,764,731 | 1,808,518 | 1,909,804 | 2,013,873 |
| % change/ previous year | -2.56% | -1.22% | 2.48% | 5.60% | 5.45% |
| Operating Expenses | 332,953 | 333,716 | 313,029 | 323,819 | 324,457 |
| As a % of net sales | 18.64% | 18.91% | 17.31% | 16.96% | 16.11% |
| Net Income | 612,466 | 598,909 | 637,299 | 666,717 | 701,030 |
| As a % of net sales | 34.28% | 33.94% | 35.24% | 34.91% | 34.81% |

Note: The LCBO refers to sales in three different ways: first, gross sales which include the Federal Goods and Services Tax and the Provincial Sales Tax; second, net sales which exclude the two sales taxes and any relevant discounts (e.g., the discounts provided to licensees by the LCBO); and third, net sales also excluding any sales through the LCBO Private Stock Program. The Sales and Other Income line listed in the table consists of net sales plus any other income (e.g., interest on investments). Gross sales are given in the Sales Channel Summary on page 32.

**FINANCIAL INDICATORS: 1993-1997**
*(values in $000s)*




- SALES AND OTHER INCOME
- OPERATING EXPENSES
- NET INCOME

**BREAKDOWN OF OPERATING EXPENSES** *(values in $000s)*

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Salaries and Benefits | 225,153 | 209,900 | 200,344 | 204,629 | 203,699 |
| Depreciation | 22,832 | 21,070 | 18,613 | 20,962 | 22,167 |
| Other Expenses | 84,968 | 102,746 | 94,072 | 98,228 | 98,591 |
| **Total Operating Expenses** | **332,953** | **333,716** | **313,029** | **323,819** | **324,457** |

**OPERATING EXPENSES: 1993-1997**
*(values in $000s)*

- SALARIES AND BENEFITS
- DEPRECIATION
- OTHER OPERATING EXPENSES

The following tables show the breakdown of LCBO revenue payments for the last five years to the federal, provincial, and municipal governments.

*(all values in $000s)*

**TREASURER OF ONTARIO**

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Remitted by the Liquor Control Board: On account of profits | 615,000 | 585,000 | 630,000 | 680,000 | 730,000 |
| Remitted by the Liquor Control Board: Ontario retail sales tax on sales through liquor stores | 178,797 | 173,497 | 174,189 | 182,762 | 192,357 |
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| Remitted by others: Ontario retail sales tax on sales through Brewers Retail stores and Ontario Winery Retail Stores | 148,742 | 149,894 | 154,157 | 157,046 | 157,582 |
| Ontario retail sales tax on sales through LCBO agency stores | 1,809 | 1,786 | 1,927 | 2,301 | 2,565 |
| **Total** | **1,455,655** | **1,431,961** | **1,492,389** | **1,551,799** | **1,603,333** |

**RECEIVER GENERAL FOR CANADA**

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Remitted by the Liquor Control Board: Excise taxes and Customs duties | 237,316 | 225,518 | 227,803 | 235,022 | 239,058 |
| Goods and Services Tax | 61,215 | 59,137 | 60,939 | 60,344 | 64,672 |
| Federal Sales Tax | 0 | 0 | 0 | 0 | 0 |
| Remitted by others: Excise taxes, GST and other duties/taxes | 260,555 | 276,477 | 319,839 | 327,660 | 342,763 |
| Good and Services Tax remitted on sales through LCBO agency stores | 1,055 | 1,042 | 1,124 | 1,343 | 1,496 |
| **Total** | **560,141** | **562,174** | **609,705** | **624,369** | **647,989** |

**ONTARIO MUNICIPALITIES**

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Remitted by the Liquor Control Board: Grants in lieu of realty and business taxes | 6,262 | 6,218 | 6,084 | 6,188 | 5,816 |
| **Total Revenue Payments** | **2,022,058** | **2,000,353** | **2,108,178** | **2,182,356** | **2,257,138** |

Note: These amounts do not include corporation, realty and business taxes paid by the distilleries, wineries, breweries and licensees. Ontario Retail Sales Tax collected by the licensees and agency stores on sales of beverage alcohol is excluded from these figures. The 1997 figures for Remitted by Others are slightly understated due to eight brewers not reporting financial information at the time of publication. Ontario Retail Sales Tax and Goods and Services Tax remitted on sales through LCBO agency stores are estimates.

## LCBO SALES

*(values in 000s litres)*

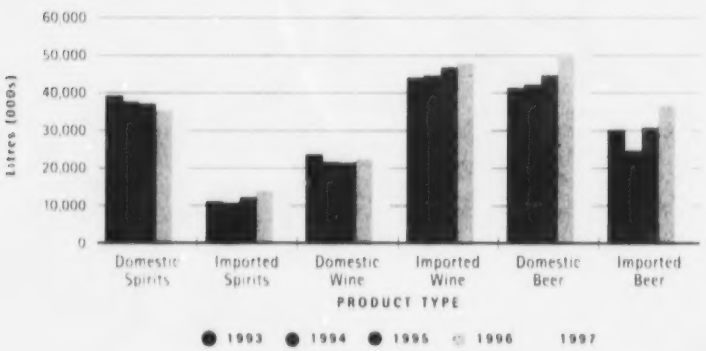
| PRODUCT TYPE | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Domestic Spirits | 33,688 | 31,924 | 30,836 | 30,585 | 30,615 |
| Domestic Spirit Coolers | 5,436 | 5,656 | 5,628 | 4,669 | 5,556 |
| Imported Spirits | 11,441 | 11,375 | 12,087 | 14,877 | 15,097 |
| **Total Spirits** | **50,565** | **48,955** | **48,551** | **50,131** | **51,268** |
| Domestic Wine | 22,023 | 20,969 | 20,483 | 22,208 | 24,957 |
| Domestic Wine Coolers | 1,629 | 1,255 | 1,042 | 903 | 895 |
| Imported Wine | 43,966 | 44,951 | 46,375 | 47,671 | 48,328 |
| **Total Wine** | **67,618** | **67,175** | **67,900** | **70,782** | **74,180** |
| Domestic Beer | 41,697 | 43,006 | 45,654 | 49,584 | 54,713 |
| Domestic Beer Coolers | 43 | 36 | 22 | 27 | 20 |
| Imported Beer | 30,224 | 24,966 | 31,012 | 35,873 | 39,021 |
| **Total Beer** | **71,964** | **68,008** | **76,688** | **85,484** | **93,754** |
| **Total Domestic** | **104,516** | **102,846** | **103,665** | **107,976** | **116,756** |
| **Total Imported** | **85,631** | **81,292** | **89,474** | **98,421** | **102,446** |
| **TOTAL** | **190,147** | **184,138** | **193,139** | **206,397** | **219,202** |

*(values in 000s litres)*

| PRODUCT TYPE | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Sales by Ontario Winery Retail Stores | 9,799 | 9,999 | 11,960 | 13,164 | 14,411 |
| Sales by Brewers Retail & On-site Brewery Stores | 670,018 | 665,277 | 670,494 | 670,539 | 653,106 |

Note: LCBO beer sales figures include LCBO sales to Brewers Retail Inc. The 1997 figures for Sales by Brewers Retail and On-site brewery stores are unaudited and understate total sales due to eight brewers not reporting financial statements at the time of publication.

## LCBO SALES VOLUME BY PRODUCT TYPE: 1993–1997



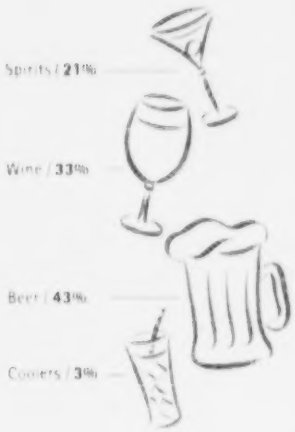
## SALES VALUE

## SHARE OF SALES
*(by category)*

### LCBO SALES
*(values in $000s)*

| PRODUCT TYPE | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Domestic Spirits | 730,965 | 698,695 | 678,101 | 671,080 | 680,092 |
| Domestic Spirit Coolers | 25,073 | 26,709 | 26,725 | 22,148 | 27,893 |
| Imported Spirits | 286,124 | 285,478 | 303,441 | 340,638 | 354,929 |
| **Total Spirits** | **1,042,162** | **1,010,882** | **1,008,267** | **1,033,866** | **1,062,914** |
| Domestic Wine | 145,536 | 143,270 | 143,105 | 158,888 | 178,563 |
| Domestic Wine Coolers | 6,056 | 4,663 | 3,739 | 3,347 | 3,209 |
| Imported Wine | 379,358 | 390,427 | 410,573 | 435,845 | 469,803 |
| **Total Wine** | **530,950** | **538,360** | **557,417** | **598,080** | **651,575** |
| Domestic Beer | 119,856 | 123,599 | 131,348 | 145,816 | 160,544 |
| Domestic Beer Coolers | 135 | 116 | 69 | 87 | 67 |
| Imported Beer | 86,893 | 73,641 | 90,143 | 107,275 | 118,567 |
| **Total Beer** | **206,884** | **197,356** | **221,560** | **253,178** | **279,178** |
| **Total Domestic** | **1,027,621** | **997,052** | **983,087** | **1,001,366** | **1,050,368** |
| **Total Imported** | **752,375** | **749,546** | **804,157** | **883,758** | **943,299** |
| **Total Non-Liquor** | **2,497** | **2,553** | **2,201** | **2,059** | **3,124** |
| **TOTAL** | **1,782,493** | **1,749,151** | **1,789,445** | **1,887,183** | **1,996,791** |

### SHARE OF VOLUME SALES

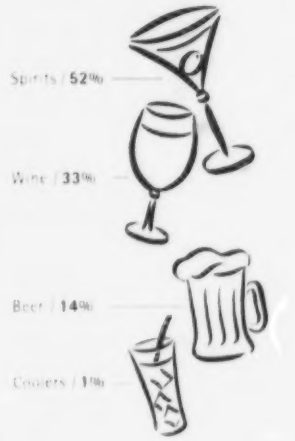



*(values in $000s)*

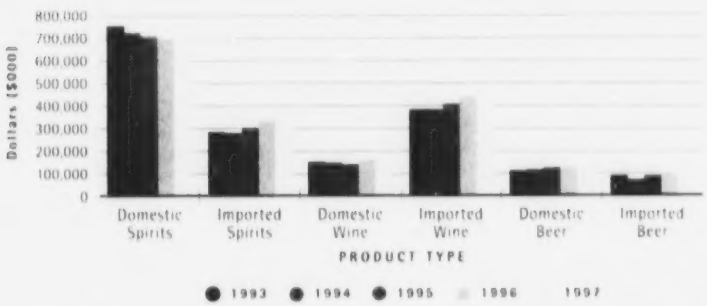
| PRODUCT TYPE | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Sales by Ontario Winery Retail Stores | 63,107 | 68,317 | 83,369 | 95,227 | 106,257 |
| Sales by Brewers Retail | 1,779,453 | 1,754,761 | 1,792,638 | 1,809,030 | 1,949,845 |

Note: Sales values listed above for the LCBO and Ontario Winery Retail Stores consist of net sales. Sales values for Brewers Retail Inc. consist of net sales plus GST.

### SHARE OF DOLLAR SALES




### LCBO SALES VALUE BY PRODUCT TYPE: 1993-1997



**LCBO SALES**

*(values in 000s litres)*

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| Domestic Spirits | 33,688 | 31,924 | 30,836 | 30,585 | 30,615 |
| Domestic Spirit Coolers | 5,436 | 5,656 | 5,628 | 4,669 | 5,556 |
| Imported Spirits | 11,441 | 11,375 | 12,087 | 14,877 | 15,097 |
| **Total Spirits** | **50,565** | **48,955** | **48,551** | **50,131** | **51,268** |
| Domestic Wine | 22,023 | 20,969 | 20,483 | 22,208 | 24,957 |
| Domestic Wine Coolers | 1,629 | 1,255 | 1,042 | 903 | 895 |
| Imported Wine | 43,966 | 44,951 | 46,375 | 47,671 | 48,328 |
| **Total Wine** | **67,618** | **67,175** | **67,900** | **70,782** | **74,180** |
| Domestic Beer | 41,697 | 43,006 | 45,654 | 49,584 | 54,713 |
| Domestic Beer Coolers | 43 | 36 | 22 | 27 | 20 |
| Imported Beer | 30,224 | 24,966 | 31,012 | 35,873 | 39,021 |
| **Total Beer** | **71,964** | **68,008** | **76,688** | **85,484** | **93,754** |
| **Total Domestic** | **104,516** | **102,846** | **103,685** | **107,976** | **116,756** |
| **Total Imported** | **85,631** | **81,292** | **89,474** | **98,421** | **102,446** |
| **TOTAL** | **190,147** | **184,138** | **193,139** | **206,397** | **219,202** |

*(values in 000s litres)*

| PRODUCT TYPE | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Sales by Ontario Winery Retail Stores | 9,799 | 9,999 | 11,960 | 13,164 | 14,411 |
| Sales by Brewers Retail & On-site Brewery Stores | 670,018 | 665,277 | 670,494 | 670,539 | 653,106 |

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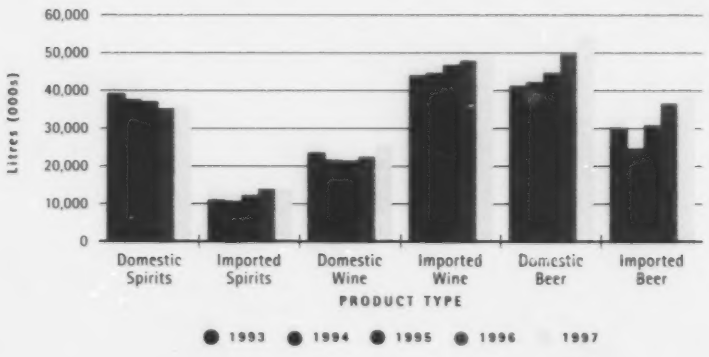
**LCBO SALES VOLUME BY PRODUCT TYPE: 1993-1997**



## SALES VALUE

### LCBO SALES

*(values in $000s)*

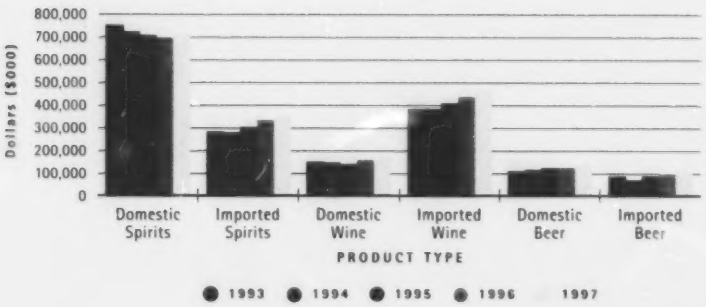
| PRODUCT TYPE | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Domestic Spirits | 730,965 | 698,695 | 678,101 | 671,080 | 680,092 |
| Domestic Spirit Coolers | 25,073 | 26,709 | 26,725 | 22,148 | 27,893 |
| Imported Spirits | 286,124 | 285,478 | 303,441 | 340,638 | 354,929 |
| **Total Spirits** | **1,042,162** | **1,010,882** | **1,008,267** | **1,033,866** | **1,062,914** |
| Domestic Wine | 145,536 | 143,270 | 143,105 | 158,888 | 178,563 |
| Domestic Wine Coolers | 6,056 | 4,663 | 3,739 | 3,347 | 3,209 |
| Imported Wine | 379,358 | 390,427 | 410,573 | 435,845 | 469,803 |
| **Total Wine** | **530,950** | **538,360** | **557,417** | **598,080** | **651,575** |
| Domestic Beer | 119,856 | 123,599 | 131,348 | 145,816 | 160,544 |
| Domestic Beer Coolers | 135 | 116 | 69 | 87 | 67 |
| Imported Beer | 86,893 | 73,641 | 90,143 | 107,275 | 118,567 |
| **Total Beer** | **206,884** | **197,356** | **221,560** | **253,178** | **279,178** |
| **Total Domestic** | **1,027,621** | **997,052** | **983,087** | **1,001,366** | **1,050,368** |
| **Total Imported** | **752,375** | **749,546** | **804,157** | **883,758** | **943,299** |
| **Total Non-Liquor** | **2,497** | **2,553** | **2,201** | **2,059** | **3,124** |
| **TOTAL** | **1,782,493** | **1,749,151** | **1,789,445** | **1,887,183** | **1,996,791** |

*(values in $000s)*

| PRODUCT TYPE | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Sales by Ontario Winery Retail Stores | 63,107 | 68,317 | 83,369 | 95,227 | 106,257 |
| Sales by Brewers Retail | 1,779,453 | 1,754,761 | 1,792,638 | 1,809.030 | 1,949,845 |

Note: Sales values listed above for the LCBO and Ontario Winery Retail Stores consist of net sales. Sales values for Brewers Retail Inc. consist of net sales plus GST.

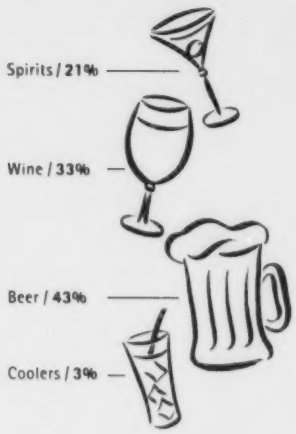
### LCBO SALES VALUE BY PRODUCT TYPE: 1993-1997



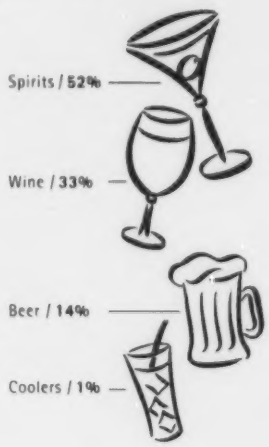

## SHARE OF SALES

*(by category)*

### SHARE OF VOLUME SALES




### SHARE OF DOLLAR SALES



## PRODUCT LISTINGS

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| **DOMESTIC** | | | | | |
| Spirits | 469 | 450 | 379 | 352 | 361 |
| Wine | 439 | 431 | 457 | 455 | 437 |
| Beer | 252 | 289 | 311 | 316 | 295 |
| **IMPORTED** | | | | | |
| Spirits | 267 | 279 | 276 | 292 | 315 |
| Wine | 804 | 806 | 874 | 873 | 839 |
| Beer | 71 | 81 | 92 | 89 | 102 |
| Total Regular Listings | 2,302 | 2,336 | 2,389 | 2,377 | 2,349 |
| Vintages Wines, Spirits and Beer | 1,287 | 1,223 | 1,987 | 2,368 | 2,744 |
| Duty-Free Listings | 175 | 170 | 182 | 207 | 205 |
| Consignment Warehouse and Private Stock | 3,244 | 3,106 | 3,515 | 4,249 | 4,573 |
| **Total Product Listings** | **7,008** | **6,835** | **8,073** | **9,201** | **9,871** |

Note: Product listing figures for Consignment Warehouse and Private Stock are estimates based on invoices produced by Specialty Services.

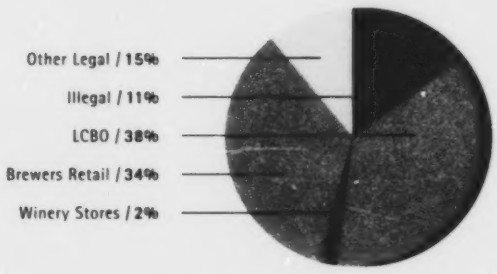
## SALES CHANNEL SUMMARY

*(value in $000s)*

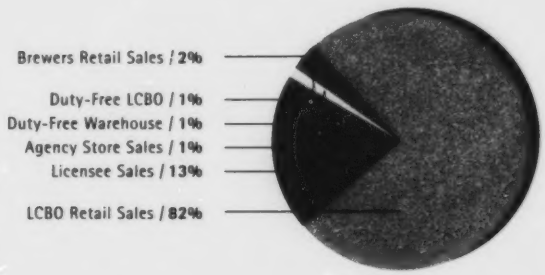
| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| LCBO Total Sales | 2,096,176 | 2,054,991 | 2,101,952 | 2,215,523 | 2,342,998 |
| Brewers Retail Total Sales | 1,937,255 | 1,910,584 | 1,951,825 | 2,060,219 | 2,075,664 |
| Winery Retail Stores Total Sales | 75,097 | 81,297 | 99,233 | 113,320 | 126,446 |
| **OTHER CHANNELS:** | | | | | |
| Legal | 411,122 | 352,746 | 334,139 | 280,559 | 799,332 |
| Homemade | 113,568 | 111,983 | 113,930 | 127,829 | 138,531 |
| De-alcoholized Beer | 14,216 | 15,069 | 19,600 | 22,540 | 24,140 |
| Illegal | 753,879 | 795,097 | 785,076 | 774,574 | 644,472 |
| **Grand Total** | **5,401,313** | **5,321,767** | **5,405,755** | **5,594,564** | **6,151,583** |

Note: All figures shown are gross sales. The numbers included in the Other Channels category are estimates. Brewers Retail and Winery Retail Stores data were provided by the Brewers of Ontario and individual winery retail stores. LCBO and Brewers Retail figures are slightly overstated due to reciprocal sales included in the individual totals. These are excluded in the Value by Sales Channel chart.

**VALUE BY SALES CHANNEL**




**LCBO VALUE BY SALES CHANNEL**

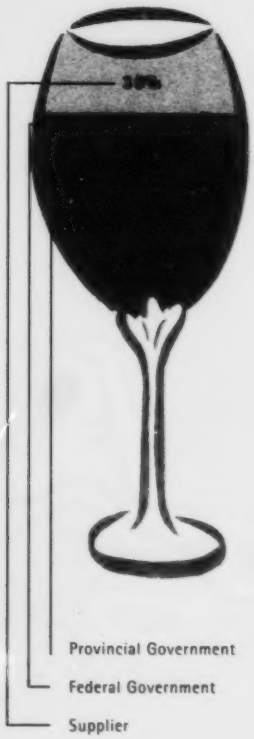


## RETAIL PRICE BREAKDOWNS (1997)

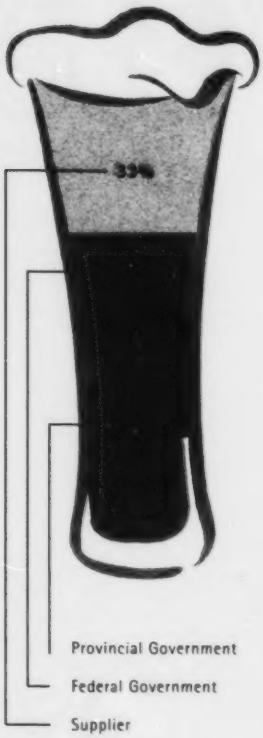
### REVENUE DISTRIBUTION

**DOMESTIC SPIRITS**

**DOMESTIC WINE**




**DOMESTIC BEER**



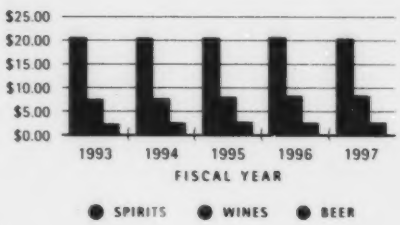



## AVERAGE LCBO RETAIL PRICES

| PRODUCT TYPE | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Spirits | $20.61 | $20.65 | $20.77 | $20.62 | $20.65 |
| Wine | $7.85 | $8.01 | $8.21 | $8.45 | $8.67 |
| Beer | $2.87 | $2.90 | $2.89 | $2.96 | $3.03 |
| **Average Transaction Value Per Customer** | **$21.86** | **$22.00** | **$22.43** | **$23.33** | **$22.89** |

Note: Average prices are exclusive of Ontario Retail Sales Tax and the Goods and Services Tax.

**AVERAGE RETAIL PRICES PER LITRE: 1993-1997**



## PRODUCT LISTINGS

| | 1993 | 1994 | 1995 | 1996 | 1997 |
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| **DOMESTIC** | | | | | |
| Spirits | 469 | 450 | 379 | 352 | 361 |
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| **IMPORTED** | | | | | |
| Spirits | 267 | 279 | 276 | 292 | 315 |
| Wine | 804 | 806 | 874 | 873 | 839 |
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| **Total Product Listings** | **7,008** | **6,835** | **8,073** | **9,201** | **9,871** |

Note: Product listing figures for Consignment Warehouse and Private Stock are estimates based on invoices produced by Specialty Services.

## SALES CHANNEL SUMMARY

*(value in $000s)*

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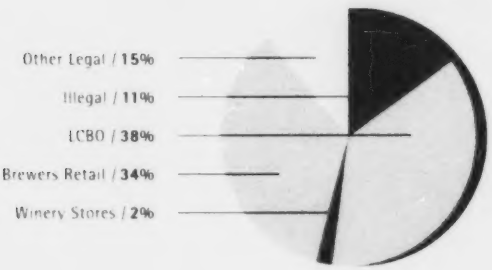
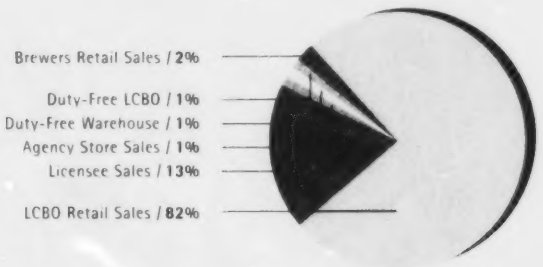
| De-alcoholized Beer | 14,216 | 15,069 | 19,600 | 22,540 | 24,140 |
| Illegal | 753,879 | 795,097 | 785,076 | 774,574 | 644,472 |
| **Grand Total** | **5,401,313** | **5,321,767** | **5,405,755** | **5,594,564** | **6,151,583** |

Note: All figures shown are gross sales. The numbers included in the Other Channels category are estimates. Brewers Retail and Winery Retail Stores data were provided by the Brewers of Ontario and individual winery retail stores. LCBO and Brewers Retail figures are slightly overstated due to reciprocal sales included in the individual totals. These are excluded in the Value by Sales Channel chart.

**VALUE BY SALES CHANNEL**



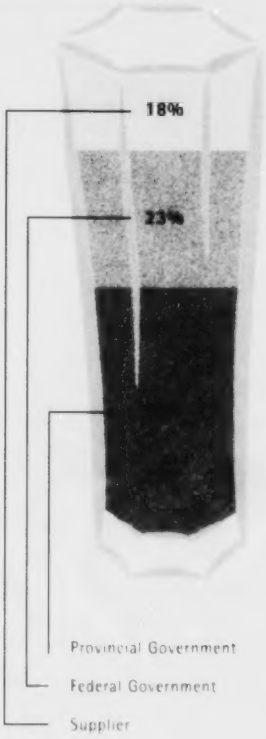

**LCBO VALUE BY SALES CHANNEL**



## RETAIL PRICE BREAKDOWNS (1997)

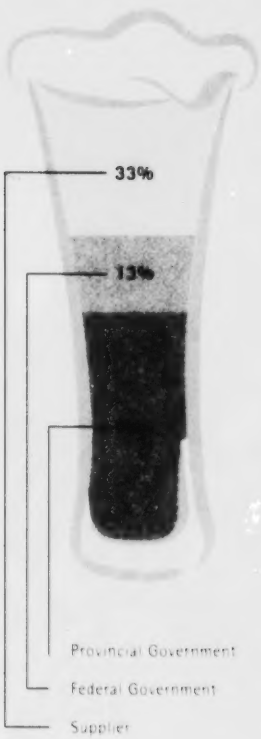
### REVENUE DISTRIBUTION

**DOMESTIC SPIRITS**




**DOMESTIC WINE**

**DOMESTIC BEER**




## AVERAGE LCBO RETAIL PRICES

| PRODUCT TYPE | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Spirits | $20.61 | $20.65 | $20.77 | $20.62 | $20.65 |
| Wine | $7.85 | $8.01 | $8.21 | $8.45 | $8.67 |
| Beer | $2.87 | $2.90 | $2.89 | $2.96 | $3.03 |
| **Average Transaction Value Per Customer** | **$21.86** | **$22.00** | **$22.43** | **$23.33** | **$22.89** |

Note: Average prices are exclusive of Ontario Retail Sales Tax and the Goods and Services Tax.

**AVERAGE RETAIL PRICES PER LITRE: 1993-1997**

## LCBO SALES VOLUME BY CATEGORY

| | PRODUCT CATEGORY SHARE | | | | |
|---|---|---|---|---|---|
| **CATEGORY** | **1993** | **1994** | **1995** | **1996** | **1997** |
| **Canadian Spirits** | | | | | |
| Canadian Whisky | 41.1% | 40.0% | 41.3% | 40.7% | 39.9% |
| Canadian Rum | 18.1% | 18.0% | 18.7% | 18.7% | 18.4% |
| Canadian Vodka | 14.8% | 15.1% | 15.9% | 16.6% | 17.1% |
| Spirit Coolers | 13.9% | 15.1% | 13.1% | 13.3% | 15.4% |
| Canadian Dry Gin | 4.0% | 3.9% | 3.9% | 3.6% | 3.2% |
| Other | 8.2% | 7.8% | 7.1% | 7.2% | 6.1% |
| **Imported Spirits** | | | | | |
| Scotch | 30.5% | 29.9% | 26.1% | 23.3% | 23.0% |
| Liqueur | 17.5% | 17.1% | 17.3% | 16.6% | 17.9% |
| Miscellaneous Liquors | 14.4% | 14.6% | 13.5% | 12.7% | 11.9% |
| Vodka | 11.1% | 11.3% | 11.0% | 10.4% | 11.0% |
| French Brandy | 9.7% | 9.8% | 8.6% | 8.0% | 8.0% |
| Spirit Coolers | n.a. | n.a. | 8.4% | 11.1% | 10.1% |
| Other | 16.7% | 17.2% | 15.0% | 17.8% | 18.1% |
| **Canadian Wines** | | | | | |
| White Table | 58.8% | 59.6% | 58.5% | 56.1% | 51.3% |
| Red Table | 11.4% | 12.6% | 14.6% | 17.0% | 18.3% |
| 7% Sparkling | 7.3% | 7.1% | 7.1% | 6.8% | 6.3% |
| Sherry | 7.2% | 7.0% | 6.7% | 5.8% | 5.0% |
| Wine Coolers | 6.9% | 5.7% | 4.8% | 3.9% | 3.5% |
| Other | 8.3% | 8.1% | 8.3% | 10.4% | 15.6% |
| **Imported Wines** | | | | | |
| White Table | 58.5% | 56.2% | 53.7% | 50.4% | 46.7% |
| Red Table | 29.0% | 31.4% | 34.0% | 36.6% | 39.0% |
| Champagne | 4.1% | 3.8% | 3.8% | 3.7% | 3.7% |
| Sherry | 2.2% | 2.2% | 2.0% | 2.2% | 2.2% |
| Other | 6.1% | 6.4% | 6.6% | 7.1% | 8.4% |
| **Canadian Beer** | | | | | |
| Ontario Beer | 97.4% | 96.4% | 95.4% | 95.8% | 94.3% |
| Other Canadian Beer | 2.6% | 3.6% | 4.6% | 4.2% | 5.7% |
| **Imported Beer** | | | | | |
| U.S. Beer | 63.9% | 48.6% | 48.6% | 45.9% | 42.8% |
| Other Imported Beer | 35.6% | 50.9% | 50.9% | 53.7% | 55.9% |
| Saké | 0.5% | 0.5% | 0.5% | 0.4% | 0.3% |

# DETAILED SALES OF WINE BY VOLUME AND VALUE

*LCBO sales only*

**VOLUME**

*(000s litres)*

| PRODUCT TYPE | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Red Wine | 15,089 | 16,474 | 18,345 | 20,911 | 23,106 |
| White Wine | 38,843 | 37,750 | 36,793 | 36,313 | 35,226 |
| Rosé Wine | 596 | 599 | 605 | 697 | 768 |
| Sparkling Wine | 4,361 | 4,028 | 3,959 | 3,989 | 4,035 |
| Fortified Wine | 4,105 | 3,892 | 3,810 | 3,764 | 3,602 |
| Wine Coolers | 1,629 | 1,255 | 1,042 | 903 | 1,094 |
| Other Wine | 1,627 | 1,831 | 1,987 | 2,894 | 4,967 |
| VQA Wines | 1,285 | 1,485 | 1,200 | 1,660 | 2,494 |

**VALUE**

*($000s)*

| PRODUCT TYPE | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Red Wine | 127,971 | 142,342 | 163,030 | 190,371 | 223,586 |
| White Wine | 285,286 | 280,849 | 280,061 | 284,955 | 287,892 |
| Rosé Wine | 4,655 | 4,788 | 4,886 | 5,583 | 6,253 |
| Sparkling Wine | 44,016 | 41,855 | 41,840 | 42,161 | 44,099 |
| Fortified Wine | 33,506 | 32,627 | 32,648 | 33,388 | 33,143 |
| Wine Coolers | 6,043 | 4,655 | 3,740 | 3,342 | 4,923 |
| Other Wine | 13,297 | 14,897 | 15,000 | 21,453 | 31,160 |
| VQA Wines | 12,885 | 15,339 | 16,446 | 20,075 | 27,671 |

Note: VQA wine sales are reported as a separate consolidated figure and also within each product category. Sales figures of wine by volume and value exclude Private Stock sales.

## LCBO SALES VOLUME BY CATEGORY

| | PRODUCT CATEGORY SHARE | | | | |
|---|---|---|---|---|---|
| **CATEGORY** | **1993** | **1994** | **1995** | **1996** | **1997** |
| **Canadian Spirits** | | | | | |
| Canadian Whisky | 41.1% | 40.0% | 41.3% | 40.7% | 39.9% |
| Canadian Rum | 18.1% | 18.0% | 18.7% | 18.7% | 18.4% |
| Canadian Vodka | 14.8% | 15.1% | 15.9% | 16.6% | 17.1% |
| Spirit Coolers | 13.9% | 15.1% | 13.1% | 13.3% | 15.4% |
| Canadian Dry Gin | 4.0% | 3.9% | 3.9% | 3.6% | 3.2% |
| Other | 8.2% | 7.8% | 7.1% | 7.2% | 6.1% |
| **Imported Spirits** | | | | | |
| Scotch | 30.5% | 29.9% | 26.1% | 23.3% | 23.0% |
| Liqueur | 17.5% | 17.1% | 17.3% | 16.6% | 17.9% |
| Miscellaneous Liquors | 14.4% | 14.6% | 13.5% | 12.7% | 11.9% |
| Vodka | 11.1% | 11.3% | 11.0% | 10.4% | 11.0% |
| French Brandy | 9.7% | 9.8% | 8.6% | 8.0% | 8.0% |
| Spirit Coolers | n.a. | n.a. | 8.4% | 11.1% | 10.1% |
| Other | 16.7% | 17.2% | 15.0% | 17.8% | 18.1% |
| **Canadian Wines** | | | | | |
| White Table | 58.8% | 59.6% | 58.5% | 56.1% | 51.3% |
| Red Table | 11.4% | 12.6% | 14.6% | 17.0% | 18.3% |
| 7% Sparkling | 7.3% | 7.1% | 7.1% | 6.8% | 6.3% |
| Sherry | 7.2% | 7.0% | 6.7% | 5.8% | 5.0% |
| Wine Coolers | 6.9% | 5.7% | 4.8% | 3.9% | 3.5% |
| Other | 8.3% | 8.1% | 8.3% | 10.4% | 15.6% |
| **Imported Wines** | | | | | |
| White Table | 58.5% | 56.2% | 53.7% | 50.4% | 46.7% |
| Red Table | 29.0% | 31.4% | 34.0% | 36.6% | 39.0% |
| Champagne | 4.1% | 3.8% | 3.8% | 3.7% | 3.7% |
| Sherry | 2.2% | 2.2% | 2.0% | 2.2% | 2.2% |
| Other | 6.1% | 6.4% | 6.6% | 7.1% | 8.4% |
| **Canadian Beer** | | | | | |
| Ontario Beer | 97.4% | 96.4% | 95.4% | 95.8% | 94.3% |
| Other Canadian Beer | 2.6% | 3.6% | 4.6% | 4.2% | 5.7% |
| **Imported Beer** | | | | | |
| U.S. Beer | 63.9% | 48.6% | 48.6% | 45.9% | 42.8% |
| Other Imported Beer | 35.6% | 50.9% | 50.9% | 53.7% | 55.9% |
| Saké | 0.5% | 0.5% | 0.5% | 0.4% | 0.3% |

## DETAILED SALES OF WINE BY VOLUME AND VALUE

*LCBO sales only.*

### VOLUME

*(000s litres)*

| PRODUCT TYPE | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Red Wine | 15,089 | 16,474 | 18,345 | 20,911 | 23,106 |
| White Wine | 38,843 | 37,750 | 36,793 | 36,313 | 35,226 |
| Rosé Wine | 596 | 599 | 605 | 697 | 768 |
| Sparkling Wine | 4,361 | 4,028 | 3,959 | 3,989 | 4,035 |
| Fortified Wine | 4,105 | 3,892 | 3,810 | 3,764 | 3,602 |
| Wine Coolers | 1,629 | 1,255 | 1,042 | 903 | 1,094 |
| Other Wine | 1,627 | 1,831 | 1,987 | 2,894 | 4,967 |
| VQA Wines | 1,285 | 1,485 | 1,200 | 1,660 | 2,494 |

### VALUE

*($000s)*

| PRODUCT TYPE | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Red Wine | 127,971 | 142,342 | 163,030 | 190,371 | 223,586 |
| White Wine | 285,286 | 280,849 | 280,061 | 284,955 | 287,892 |
| Rosé Wine | 4,655 | 4,788 | 4,886 | 5,583 | 6,253 |
| Sparkling Wine | 44,016 | 41,855 | 41,840 | 42,161 | 44,099 |
| Fortified Wine | 33,506 | 32,627 | 32,648 | 33,388 | 33,143 |
| Wine Coolers | 6,043 | 4,655 | 3,740 | 3,342 | 4,923 |
| Other Wine | 13,297 | 14,897 | 15,000 | 21,453 | 31,160 |
| VQA Wines | 12,885 | 15,339 | 16,446 | 20,075 | 27,671 |

Note: VQA wine sales are reported as a separate consolidated figure and also within each product category. Sales figures of wine by volume and value exclude Private Stock sales.

## LCBO SALES BY COUNTRY OF ORIGIN - VOLUME AND VALUE

### SPIRITS

| COUNTRY | LITRES | NET VALUE |
|---|---|---|
| Canada | 36,145,988 | 704,924,896 |
| Great Britain | 4,484,360 | 119,302,308 |
| United States | 2,908,893 | 38,055,911 |
| France | 1,702,666 | 53,420,304 |
| Ireland | 1,244,320 | 32,292,286 |
| Italy | 1,001,881 | 22,391,460 |
| Sweden | 902,862 | 20,368,473 |
| Mexico | 793,149 | 20,063,165 |
| Finland | 396,297 | 8,612,516 |
| Barbados | 211,078 | 4,654,954 |
| Russian Federation | 202,473 | 4,487,662 |
| Jamaica | 187,423 | 4,667,008 |
| Germany | 180,881 | 4,486,545 |
| Greece | 138,338 | 3,010,809 |
| Poland | 122,763 | 2,666,837 |
| Netherlands | 90,899 | 1,732,593 |
| South Africa | 83,965 | 1,731,002 |
| Switzerland | 75,859 | 2,535,481 |
| Spain | 54,222 | 1,182,745 |
| Portugal | 25,528 | 684,438 |
| Hungary | 25,255 | 497,278 |
| Guyana | 24,116 | 564,491 |
| Bermuda | 20,106 | 644,911 |
| Bahamas | 16,280 | 337,321 |
| Croatia | 16,096 | 402,014 |
| Denmark | 14,161 | 342,048 |
| Lebanon | 13,389 | 312,767 |
| Grenada | 11,169 | 278,267 |
| Cuba | 7,399 | 183,844 |
| Belgium | 6,578 | 209,322 |

*continued above*

*Spirits continued*

| COUNTRY | LITRES | NET VALUE |
|---|---|---|
| Austria | 4,211 | 156,524 |
| People's Republic Of China | 3,816 | 128,199 |
| Puerto Rico | 2,536 | 66,200 |
| Israel | 2,510 | 52,023 |
| Trinidad | 2,492 | 54,431 |
| Chile | 2,333 | 55,881 |
| Macedonia | 2,303 | 54,096 |
| Japan | 1,909 | 29,776 |
| Cyprus | 1,644 | 29,054 |
| Ukraine | 1,415 | 31,628 |
| Philippines | 664 | 13,868 |
| Syrian Arab Republic | 546 | 11,912 |
| Norway | 479 | 13,458 |
| Estonia | 267 | 6,005 |
| Czech Republic | 248 | 5,836 |
| Peru | 106 | 2,802 |
| India | 20 | 215 |
| Bulgaria | 2 | 50 |
| Martinique | 1 | 151 |
| **Total** | **51,135,877** | **1,055,755,765** |

## WINE

| COUNTRY | LITRES | NET VALUE |
|---|---|---|
| Canada | 25,802,955 | 180,447,220 |
| France | 16,610,842 | 165,289,143 |
| Italy | 10,294,207 | 92,243,206 |
| United States | 6,705,142 | 65,906,441 |
| Chile | 2,726,535 | 23,629,811 |
| Australia | 2,516,108 | 28,615,112 |
| Germany | 1,896,750 | 18,164,668 |
| Spain | 1,283,218 | 14,179,610 |
| Portugal | 1,254,009 | 12,848,246 |
| South Africa | 866,842 | 8,531,235 |
| Greece | 864,186 | 5,973,048 |
| Hungary | 749,153 | 5,240,705 |
| Bulgaria | 329,904 | 2,297,899 |
| Argentina | 133,037 | 1,280,842 |
| Great Britain | 130,708 | 730,505 |
| Romania | 120,108 | 801,570 |
| Croatia | 111,002 | 888,938 |
| New Zealand | 107,075 | 1,421,653 |
| Israel | 74,816 | 657,506 |
| Slovenia | 33,803 | 256,191 |
| Austria | 27,756 | 303,253 |
| Denmark | 26,435 | 293,027 |
| Cyprus | 19,026 | 156,254 |
| Macedonia | 17,868 | 112,597 |
| Mexico | 17,252 | 114,608 |
| Czech Republic | 16,829 | 129,124 |
| Brazil | 14,408 | 87,936 |
| Morocco | 10,626 | 81,608 |
| Japan | 9,117 | 89,375 |
| Uruguay | 9,113 | 87,672 |
| Slovakia | 6,485 | 42,144 |
| Turkey | 4,721 | 32,390 |
| Switzerland | 2,300 | 42,355 |
| People's Republic Of China | 2,263 | 17,489 |
| Bolivia | 1,630 | 19,408 |
| Lebanon | 1,155 | 32,519 |
| Russian Federation | 315 | 8,030 |
| Belgium | 233 | 3,888 |
| **Total** | **72,797,929** | **631,057,228** |

## BEER

| COUNTRY | LITRES | NET VALUE |
|---|---|---|
| Canada | 53,684,137 | 157,914,022 |
| United States | 14,292,384 | 36,055,293 |
| Mexico | 4,440,932 | 16,205,717 |
| Netherlands | 4,340,969 | 17,024,603 |
| Germany | 3,038,506 | 10,213,636 |
| Great Britain | 1,876,656 | 6,947,719 |
| Ireland | 1,151,331 | 4,517,886 |
| Czech Republic | 686,477 | 2,232,057 |
| Denmark | 635,629 | 2,016,376 |
| Poland | 562,645 | 1,940,926 |
| Japan | 480,347 | 2,379,090 |
| People's Republic Of China | 207,664 | 762,169 |
| Italy | 149,112 | 519,489 |
| France | 145,745 | 564,893 |
| Jamaica | 115,270 | 411,835 |
| New Zealand | 91,803 | 303,561 |
| Trinidad | 71,333 | 272,316 |
| South Africa | 62,834 | 205,256 |
| Portugal | 57,5.3 | 204,819 |
| Austria | 39,378 | 141,554 |
| Belgium | 33,168 | 255,406 |
| Kenya | 29,992 | 105,121 |
| Ukraine | 23,569 | 77,519 |
| Cyprus | 19,782 | 94,480 |
| Croatia | 17,428 | 62,741 |
| Greece | 12,665 | 48,356 |
| Brazil | 9,361 | 49,081 |
| North Korea | 6,530 | 16,349 |
| Switzerland | 2,340 | 20,272 |
| Lebanon | 1,309 | 6,490 |
| Thailand | 1,116 | 5,546 |
| Australia | 18 | 34 |
| **Total** | **86,287,951** | **261,574,615** |

Note: Net value represents net sales, excluding Private Stock sales.
In fiscal 1996-97, the LCBO sold products from 63 different countries.

## LCBO SALES BY COUNTRY OF ORIGIN - VOLUME AND VALUE

### SPIRITS

| COUNTRY | LITRES | NET VALUE |
|---|---|---|
| Canada | 36,145,988 | 704,924,896 |
| Great Britain | 4,484,360 | 119,302,308 |
| United States | 2,908,893 | 38,055,911 |
| France | 1,702,666 | 53,420,304 |
| Ireland | 1,244,320 | 32,292,286 |
| Italy | 1,001,861 | 22,391,460 |
| Sweden | 902,862 | 20,368,473 |
| Mexico | 793,149 | 20,063,165 |
| Finland | 396,297 | 8,612,516 |
| Barbados | 211,078 | 4,654,954 |
| Russian Federation | 202,473 | 4,487,662 |
| Jamaica | 187,423 | 4,667,008 |
| Germany | 180,881 | 4,486,545 |
| Greece | 138,338 | 3,010,809 |
| Poland | 122,763 | 2,666,837 |
| Netherlands | 90,899 | 1,732,593 |
| South Africa | 83,965 | 1,731,002 |
| Switzerland | 75,859 | 2,535,481 |
| Spain | 54,222 | 1,182,745 |
| Portugal | 25,528 | 684,438 |
| Hungary | 25,255 | 497,278 |
| Guyana | 24,116 | 564,491 |
| Bermuda | 20,106 | 644,911 |
| Bahamas | 16,280 | 337,321 |
| Croatia | 16,096 | 402,014 |
| Denmark | 14,161 | 342,048 |
| Lebanon | 13,389 | 312,767 |
| Grenada | 11,169 | 278,267 |
| Cuba | 7,399 | 183,844 |
| Belgium | 6,578 | 209,322 |

*continued above*

*Spirits continued*

| COUNTRY | LITRES | NET VALUE |
|---|---|---|
| Austria | 4,211 | 156,524 |
| People's Republic Of China | 3,816 | 128,199 |
| Puerto Rico | 2,536 | 66,200 |
| Israel | 2,510 | 52,023 |
| Trinidad | 2,492 | 54,431 |
| Chile | 2,333 | 55,881 |
| Macedonia | 2,303 | 54,096 |
| Japan | 1,909 | 29,776 |
| Cyprus | 1,644 | 29,054 |
| Ukraine | 1,415 | 31,628 |
| Philippines | 664 | 13,868 |
| Syrian Arab Republic | 546 | 11,912 |
| Norway | 479 | 13,458 |
| Estonia | 267 | 6,005 |
| Czech Republic | 248 | 5,836 |
| Peru | 106 | 2,802 |
| India | 20 | 215 |
| Bulgaria | 2 | 50 |
| Martinique | 1 | 151 |
| **Total** | **51,135,877** | **1,055,755,765** |

WINE

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| Canada | 25,802,955 | 180,447,220 |
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| Hungary | 749,153 | 5,240,705 |
| Bulgaria | 329,904 | 2,297,899 |
| Argentina | 133,037 | 1,280,842 |
| Great Britain | 130,708 | 730,505 |
| Romania | 120,108 | 801,570 |
| Croatia | 111,002 | 888,938 |
| New Zealand | 107,075 | 1,421,653 |
| Israel | 74,816 | 657,506 |
| Slovenia | 33,803 | 256,191 |
| Austria | 27,756 | 303,253 |
| Denmark | 26,435 | 293,027 |
| Cyprus | 19,026 | 156,254 |
| Macedonia | 17,868 | 112,597 |
| Mexico | 17,252 | 114,608 |
| Czech Republic | 16,829 | 129,124 |
| Brazil | 14,408 | 87,936 |
| Morocco | 10,626 | 81,608 |
| Japan | 9,117 | 89,375 |
| Uruguay | 9,113 | 87,672 |
| Slovakia | 6,485 | 42,144 |
| Turkey | 4,721 | 32,390 |
| Switzerland | 2,300 | 42,355 |
| People's Republic Of China | 2,263 | 17,489 |
| Bolivia | 1,630 | 19,408 |
| Lebanon | 1,155 | 32,519 |
| Russian Federation | 315 | 8,030 |
| Belgium | 233 | 3,888 |
| **Total** | **72,797,929** | **631,057,228** |

BEER

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| Netherlands | 4,340,969 | 17,024,603 |
| Germany | 3,038,506 | 10,213,636 |
| Great Britain | 1,876,656 | 6,947,719 |
| Ireland | 1,151,331 | 4,517,886 |
| Czech Republic | 686,477 | 2,232,057 |
| Denmark | 635,629 | 2,016,376 |
| Poland | 562,645 | 1,940,926 |
| Japan | 480,347 | 2,379,090 |
| People's Republic Of China | 207,664 | 762,169 |
| Italy | 149,112 | 519,489 |
| France | 145,745 | 564,893 |
| Jamaica | 115,270 | 411,835 |
| New Zealand | 91,803 | 303,561 |
| Trinidad | 71,333 | 272,316 |
| South Africa | 62,834 | 205,256 |
| Portugal | 57,523 | 204,819 |
| Austria | 39,378 | 141,554 |
| Belgium | 33,168 | 255,406 |
| Kenya | 29,992 | 105,121 |
| Ukraine | 23,569 | 77,519 |
| Cyprus | 19,782 | 94,480 |
| Croatia | 17,428 | 62,741 |
| Greece | 12,665 | 48,356 |
| Brazil | 9,361 | 49,081 |
| North Korea | 6,530 | 16,349 |
| Switzerland | 2,340 | 20,272 |
| Lebanon | 1,309 | 6,490 |
| Thailand | 1,116 | 5,546 |
| Australia | 18 | 34 |
| **Total** | **86,287,951** | **261,574,615** |

Note: Net value represents net sales excluding Private Stock sales. In fiscal 1996-97, the LCBO sold products from 63 different countries.

## PROVINCIAL AUDITOR'S REPORT

TO THE LIQUOR CONTROL BOARD OF ONTARIO AND TO THE MINISTER OF CONSUMER AND COMMERCIAL RELATIONS

I have audited the balance sheet of the Liquor Control Board of Ontario as at March 31, 1997 and the statements of income and retained income and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

*Toronto, Ontario*
*June 18, 1997*
(except note 7, which is as of June 26, 1997)

*Erik Peters, FCA*
*Provincial Auditor*

## BALANCE SHEET

As at March 31, 1997

| ASSETS | 1997 ($000s) | 1996 ($000s) |
|---|---|---|
| **Current** | | |
| Cash and short-term investments | 49,583 | 25,991 |
| Accounts receivable, trade and others | 6,728 | 7,140 |
| Inventories | 193,021 | 202,567 |
| Prepaid expenses | 6,877 | 3,818 |
| | **256,209** | **239,516** |
| **Long-term** | | |
| Fixed assets (Note 3) | 132,037 | 134,780 |
| | **388,246** | **374,296** |
| **LIABILITIES AND RETAINED INCOME** | | |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | 203,647 | 160,727 |
| Retained income (Note 6) | 184,599 | 213,569 |
| | **388,246** | **374,296** |

**Contingent liabilities** (Note 7)

See accompanying notes to financial statements

**APPROVED:**

CHAIR AND CHIEF EXECUTIVE OFFICER

VICE PRESIDENT FINANCE AND ADMINISTRATION

## STATEMENT OF INCOME AND RETAINED INCOME

*Year Ended March 31, 1997*

| | 1997 | 1996 |
|---|---|---|
| | *($000s)* | *($000s)* |
| **Sales and other income** | 2,013,873 | 1,909,804 |
| **Costs and Expenses** | | |
| Cost of sales | 988,386 | 919,268 |
| Retail stores and marketing | 235,260 | 233,917 |
| Warehousing and distribution | 38,625 | 38,198 |
| Administration | 28,405 | 30,742 |
| Amortization | 22,167 | 20,962 |
| | **1,312,843** | **1,243,087** |
| **Net income for the year** | 701,030 | 666,717 |
| **Retained income, beginning of year** | 213,569 | 226,852 |
| | **914,599** | **893,569** |
| **Deduct payments to the Province of Ontario** | 730,000 | 680,000 |
| **Retained income, end of year** | **184,599** | **213,569** |

See accompanying notes to financial statements

## STATEMENT OF CHANGES IN FINANCIAL POSITION

*Year Ended March 31, 1997*

| | 1997 | 1996 |
|---|---|---|
| | *($000s)* | *($000s)* |
| **Cash provided from Operations** | | |
| Net income | 701,030 | 666,717 |
| Amortization | 22,167 | 20,962 |
| Gain on sale of capital assets | – | (16) |
| | **723,197** | **687,663** |
| Change in working capital | 49,819 | 9,659 |
| | **773,016** | **697,322** |
| **Cash used for investment activities** | | |
| Purchase of capital assets | (19,432) | (27,080) |
| Proceeds from sale of capital assets | 8 | 824 |
| | **(19,424)** | **(26,256)** |
| **Cash used for provincial transfers** | | |
| Social Contract | – | (7,712) |
| Income and retained income | (730,000) | (672,288) |
| | **(730,000)** | **(680,000)** |
| Increase (Decrease) in cash during the year | 23,592 | (8,934) |
| Cash and short-term investments, beginning of year | 25,991 | 34,925 |
| **Cash and short-term investments, end of year** | **49,583** | **25,991** |

See accompanying notes to financial statements

## PROVINCIAL AUDITOR'S REPORT

TO THE LIQUOR CONTROL BOARD OF ONTARIO AND TO THE MINISTER OF CONSUMER AND COMMERCIAL RELATIONS

I have audited the balance sheet of the Liquor Control Board of Ontario as at March 31, 1997 and the statements of income and retained income and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

*Toronto, Ontario*
*June 18, 1997*
(except note 7, which is as of June 26, 1997)

*Erik Peters, FCA*
*Provincial Auditor*

## BALANCE SHEET

*As at March 31, 1997*

| **ASSETS** | **1997** | **1996** |
|---|---|---|
| | *($000s)* | *($000s)* |
| **Current** | | |
| Cash and short-term investments | 49,583 | 25,991 |
| Accounts receivable, trade and others | 6,728 | 7,140 |
| Inventories | 193,021 | 202,567 |
| Prepaid expenses | 6,877 | 3,818 |
| | **256,209** | **239,516** |
| **Long-term** | | |
| Fixed assets (Note 3) | 132,037 | 134,780 |
| | **388,246** | **374,296** |
| **LIABILITIES AND RETAINED INCOME** | | |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | 203,647 | 160,727 |
| Retained income (Note 6) | 184,599 | 213,569 |
| | **388,246** | **374,296** |

**Contingent liabilities** (Note 7)
See accompanying notes to financial statements.

**APPROVED:**

CHAIR AND
CHIEF EXECUTIVE OFFICER

VICE PRESIDENT
FINANCE AND ADMINISTRATION

## STATEMENT OF INCOME AND RETAINED INCOME

*Year Ended March 31, 1997*

| | 1997 | 1996 |
|---|---|---|
| | *($000s)* | *($000s)* |
| **Sales and other income** | 2,013,873 | 1,909,804 |
| **Costs and Expenses** | | |
| Cost of sales | 988,386 | 919,268 |
| Retail stores and marketing | 235,260 | 233,917 |
| Warehousing and distribution | 38,625 | 38,198 |
| Administration | 28,405 | 30,742 |
| Amortization | 22,167 | 20,962 |
| | **1,312,843** | **1,243,087** |
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| **Retained income, beginning of year** | 213,569 | 226,852 |
| | **914,599** | **893,569** |
| **Deduct payments to the Province of Ontario** | 730,000 | 680,000 |
| **Retained income, end of year** | **184,599** | **213,569** |

See accompanying notes to financial statements.

## STATEMENT OF CHANGES IN FINANCIAL POSITION

*Year Ended March 31, 1997*

| | 1997 | 1996 |
|---|---|---|
| | *($000s)* | *($000s)* |
| **Cash provided from Operations** | | |
| Net income | 701,030 | 666,717 |
| Amortization | 22,167 | 20,962 |
| Gain on sale of capital assets | – | (16) |
| | **723,197** | **687,663** |
| Change in working capital | 49,819 | 9,659 |
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| **Cash used for investment activities** | | |
| Purchase of capital assets | (19,432) | (27,080) |
| Proceeds from sale of capital assets | 8 | 824 |
| | **(19,424)** | **(26,256)** |
| **Cash used for provincial transfers** | | |
| Social Contract | – | (7,712) |
| Income and retained income | (730,000) | (672,288) |
| | **(730,000)** | **(680,000)** |
| Increase (Decrease) in cash during the year | 23,592 | (8,934) |
| Cash and short-term investments, beginning of year | 25,991 | 34,925 |
| **Cash and short-term investments, end of year** | **49,583** | **25,991** |

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

*March 31, 1997*

### 1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The Board's financial statements are prepared in accordance with generally accepted accounting principles.

b) Inventories

At March 31, 1997, inventories are valued at the lower of cost and net realizable value with cost being determined by the moving average cost method. To March 31, 1996, the most recent cost method had been used for costing inventory. The change in inventory costing has decreased the cost of inventory by approximately 1 per cent to 2 per cent which has no material effect on these financial statements.

c) Capital Assets

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and are amortized on a straight-line basis according to their estimated useful lives, as follows:

| | |
|---|---|
| Buildings | 20 years |
| Furniture and Fixtures | 5 years |
| Leasehold Improvements | 5 years |
| Computer Equipment | 3 years |

Minor capital expenditures and the expenditures for repairs and maintenance are charged to income.

### 2. CASH AND SHORT-TERM INVESTMENT

The Board's investment policy restricts short-term investments to high-liquid, high-grade money market instruments such as federal/provincial treasury bills, banker's acceptances and term deposits.

Cash and short-term investments include $27 million (1996 - $2.6 million) of investments maturing within one year, yielding 3.2 per cent on average, with a market value that approximates carrying value.

### 3. CAPITAL ASSETS

| | 1997 | | | 1996 |
|---|---|---|---|---|
| *($000's)* | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Land | 13,941 | – | 13,941 | 14,033 |
| Buildings | 231,097 | 147,146 | 83,951 | 88,430 |
| Furniture and Fixtures | 33,715 | 29,430 | 4,285 | 5,099 |
| Leasehold Improvements | 59,790 | 46,353 | 13,437 | 13,609 |
| Computer Equipment | 53,116 | 36,693 | 16,423 | 13,609 |
| | **391,659** | **259,622** | **132,037** | **134,780** |

### 4. INSURANCE

For fiscal 1996-97, the Board purchased commercial insurance to protect its assets from accidental loss, including theft and property damage such as fire, water and vandalism, in addition to Comprehensive General Liability, Products Liability, Money and Securities including Employee Fidelity Bond, and Directors' and Officers' Liability Insurance.

For fiscal years prior to 1996-97, the Board followed a policy of self-insurance for the protection of its store assets only. All other insurances noted above were in place.

### 5. LEASE COMMITMENTS

The Board is committed under operating leases on leased premises with future minimum rental payments due as follows:

| | *($000's)* |
|---|---|
| 1998 | 20,560 |
| 1999 | 16,820 |
| 2000 | 13,736 |
| 2001 | 11,228 |
| 2002 | 8,266 |
| Thereafter | 21,560 |
| | **92,170** |

*(continued opposite)*

## NOTES TO FINANCIAL STATEMENTS

*continued*

### 6. PENSION PLAN

The Board provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund), established by the Province of Ontario.

The *Ontario Public Service Employees' Union Pension Act*, 1994 provides for a reduction of the employer's contributions to the PSPF and the OPSEU Pension Fund for each of the three fiscal years ending 1995-1997. For the current year, the impact of these reductions on the Board's pension expense was a reduction of $10.7 million (1996 - $11.8 million).

The Board's expense related to the PSPF and the OPSEU Pension Fund for the year was $2.5 million (1996 - $2.1 million) and is included in Costs and Expenses in the Statement of Income and Retained Income.

### 7. CONTINGENT LIABILITIES

In April, 1990, major airlines commenced legal action against the Board contesting the Board's right to collect mark-up on any liquor which is imported into Ontario by the airlines. A lower court judgment ruled against the Board but this judgment was overturned by an Ontario Appeal Court decision which rejected the airlines' claim. However, the airlines appealed to the Supreme Court of Canada, which has heard the appeal and made its decision. The decision of June 26, 1997 ruled in favour of the Board's right to collect mark-ups.

An association of privately-owned duty-free stores that the Board sells liquor to has also commenced legal proceedings against the Board, contesting the Board's right to collect mark-ups on liquor. An unfavourable judgment for the Board could result in a possible loss of $32.2 million (1996 - $26.4 million). This case has been on hold pending the outcome of the airlines' cases. Any judgment against the Board will be accounted for in the year the case is settled. Given that the Supreme Court of Canada has ruled that the Board has the right to collect mark-ups on any liquor that is imported into Ontario by the airlines, it is very likely that this case will be abandoned.

### 8. TERMINATION PAYMENTS

The Board is required to make termination payments to eligible employees when they retire or resign. At March 31, 1997, the accrued termination payments totalled $9.51 million (1996 - $9.55 million).

### 9. HEDGING

The Board has entered into forward foreign exchange contracts to manage the foreign exchange risk associated with its purchases from foreign suppliers. A forward foreign exchange contract is an agreement between two parties to set exchange rates in advance.

As at March 31, 1997, the Board had $950,000 in forward foreign exchange contracts outstanding for French francs, based on the notional amounts of the contracts. All contracts mature in fiscal year 1998.

Credit risk is the risk that a party to a forward foreign exchange contract will fail to discharge its obligation and cause the Board to incur financial loss. The Board minimizes credit risk by only dealing with major Canadian chartered banks and Canadian subsidiaries of major foreign banks.

# Statistical Insert for LCBO Annual Report,

Fiscal 1996-1997

## PRODUCT LISTINGS

| DOMESTIC | 1993 | 1994 | 1995 | 1996 | 1 |
|---|---|---|---|---|---|
| Canadian Whisky | 126 | 125 | 103 | 99 | |
| Canadian Blended Rums | 90 | 90 | 69 | 64 | |
| Canadian Gin | 30 | 26 | 16 | 14 | |
| Canadian Vodka | 57 | 52 | 50 | 47 | |
| Canadian Brandy | 4 | 4 | 4 | 4 | |
| Canadian Blended Brandy | 12 | 12 | 12 | 14 | |
| Canadian Spirit Coolers | 21 | 21 | 31 | 25 | |
| Fruit Spirits | 6 | 4 | 3 | 3 | |
| Miscellaneous Liquors | 13 | 11 | 7 | 6 | |
| Canadian Liqueurs | 92 | 87 | 66 | 57 | |
| Ontario Wines | 409 | 400 | 420 | 421 | |
| Ontario Wine Coolers | 15 | 15 | 14 | 11 | |
| Other Canadian Wines | 11 | 10 | 16 | 14 | |
| Canadian Cider | 4 | 6 | 7 | 9 | |
| Canadian Beer (includes Beer Coolers) | 252 | 289 | 311 | 316 | |
| Alcohol | 5 | 6 | 6 | 6 | |
| Miniatures | 9 | 9 | 9 | 10 | |
| Bitters | 3 | 3 | 3 | 3 | |

| IMPORTED | 1993 | 1994 | 1995 | 1996 | 1 |
|---|---|---|---|---|---|
| Scotch Whisky | 66 | 68 | 63 | 58 | |
| Irish Whiskey | 3 | 3 | 4 | 4 | |
| American Whiskey | 5 | 5 | 5 | 5 | |
| Gin | 12 | 15 | 16 | 16 | |
| Rum | 12 | 13 | 10 | 9 | |
| Vodka | 20 | 20 | 19 | 22 | |
| Tequila | 7 | 6 | 9 | 8 | |
| Brandy | 55 | 55 | 31 | 43 | |
| Fruit Spirits | 2 | 2 | 10 | 2 | |
| Miscellaneous Liquors | 2 | 13 | 7 | 4 | |
| Liqueurs | 60 | 59 | 73 | 77 | |
| Wines | 804 | 806 | 874 | 873 | |
| Beer and Saké | 71 | 81 | 92 | 89 | |
| Miniatures | 11 | 11 | 12 | 19 | |
| Coolers | 0 | 3 | 0 | 19 | |
| Bitters | 12 | 6 | 11 | 6 | |
| **Total Regular Listings** | 2,302 | 2,336 | 2,389 | 2,377 | 2 |
| **Vintages Wines, Spirits and Beer** | 1,287 | 1,223 | 1,987 | 2,368 | 2 |
| **Duty-Free Listings** | 175 | 170 | 182 | 207 | |
| **Consignment Warehouse and Private Stock** | 3,244 | 3,106 | 3,515 | 4,249 | 4 |
| **Total Product Listing** | 7,008 | 6,835 | 8,073 | 9,201 | 9 |

Note: Consignment Warehouse and Private Stock product listings are estimates based on invoices produced by Specialty Services.

## SALES CHANNEL SUMMARY

*(values in $000s)*

| LCBO | 1993 | 1994 | 1995 | 1996 | 199 |
|---|---|---|---|---|---|
| Retail Sales | 1,785,539 | 1,731,071 | 1,740,387 | 1,827,840 | 1,923, |
| Licensee Sales | 271,664 | 276,306 | 288,956 | 297,233 | 314, |
| Agency Store Sales | 15,863 | 15,824 | 17,005 | 20,329 | 22, |
| Duty-Free/Warehouse | 10,409 | 12,137 | 12,640 | 15,108 | 17, |
| Duty-Free/LCBO | 9,120 | 8,979 | 9,869 | 11,425 | 12, |
| BRI Sales | 851 | 7,866 | 29,729 | 40,150 | 48, |
| Other Sales | 2,710 | 2,808 | 3,366 | 3,438 | 3, |
| **Total** | **2,096,176** | **2,054,991** | **2,101,952** | **2,215,523** | **2,342,** |
| **BREWERS RETAIL** | | | | | |
| Retail and Licensee Sales | 1,937,255 | 1,910,584 | 1,951,825 | 2,060,219 | 2,075, |
| **WINERY RETAIL STORES** | | | | | |
| Retail Sales | 75,097 | 81,297 | 99,233 | 113,320 | 126, |
| **OTHER CHANNELS** | | | | | |
| **Legal:** | | | | | |
| Cross-Border Exempt | 235,210 | 171,703 | 147,538 | 148,305 | 141, |
| Cross-Border Declared | 3,064 | 2,346 | 1,599 | 2,333 | 2, |
| Brew Pubs | 1,951 | 2,570 | 2,976 | 2,496 | 1, |
| Wine Pubs | 276 | 422 | 489 | 448 | |
| U-Brew-Beer | 137,859 | 141,305 | 142,413 | 110,771 | 151, |
| U-Brew-Wine (U-Vints) | 32,762 | 34,400 | 39,124 | 16,206 | 502, |
| **Total** | **411,122** | **352,746** | **334,139** | **280,559** | **799,** |
| **Homemade:** | | | | | |
| Wine | 99,782 | 101,279 | 99,991 | 112,855 | 122, |
| Beer | 13,786 | 10,704 | 13,939 | 14,974 | 16, |
| **Total** | **113,568** | **111,983** | **113,930** | **127,829** | **138,** |
| **De-alcoholized Beer** | **14,216** | **15,069** | **19,600** | **22,540** | **24,** |
| **Illegal:** | | | | | |
| Smuggling | 454,311 | 549,132 | 534,132 | 490,372 | 421, |
| Wine Manufacturing | 299,568 | 245,965 | 250,944 | 284,202 | 223, |
| **Total** | **753,879** | **795,097** | **785,076** | **774,574** | **644,** |
| **GRAND TOTAL** | **5,401,313** | **5,321,767** | **5,405,755** | **5,594,564** | **6,151,** |

Note: All figures above are shown in gross sales. The numbers included in the Other Channels category are estimates. Brewers Retail Inc. and Winery Retail Stores sales data were supplied by the Brewers of Ontario and individual wineries.

## PRODUCT LISTINGS

| DOMESTIC | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Canadian Whisky | 126 | 125 | 103 | 99 | 94 |
| Canadian Blended Rums | 90 | 90 | 69 | 64 | 68 |
| Canadian Gin | 30 | 26 | 16 | 14 | 17 |
| Canadian Vodka | 57 | 52 | 50 | 47 | 45 |
| Canadian Brandy | 4 | 4 | 4 | 4 | 6 |
| Canadian Blended Brandy | 12 | 12 | 12 | 14 | 8 |
| Canadian Spirit Coolers | 21 | 21 | 31 | 25 | 38 |
| Fruit Spirits | 6 | 4 | 3 | 3 | 1 |
| Miscellaneous Liquors | 13 | 11 | 7 | 6 | 26 |
| Canadian Liqueurs | 92 | 87 | 66 | 57 | 47 |
| Ontario Wines | 409 | 400 | 420 | 421 | 403 |
| Ontario Wine Coolers | 15 | 15 | 14 | 11 | 7 |
| Other Canadian Wines | 11 | 10 | 16 | 14 | 10 |
| Canadian Cider | 4 | 6 | 7 | 9 | 17 |
| Canadian Beer (includes Beer Coolers) | 252 | 289 | 311 | 316 | 295 |
| Alcohol | 6 | 6 | 6 | 6 | 0 |
| Miniatures | 9 | 9 | 9 | 10 | 8 |
| Bitters | 3 | 3 | 3 | 3 | 3 |

| IMPORTED | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Scotch Whisky | 66 | 68 | 63 | 58 | 69 |
| Irish Whiskey | 3 | 3 | 4 | 4 | 3 |
| American Whiskey | 5 | 5 | 5 | 5 | 10 |
| Gin | 12 | 15 | 16 | 16 | 10 |
| Rum | 12 | 13 | 10 | 9 | 11 |
| Vodka | 20 | 20 | 19 | 22 | 23 |
| Tequila | 7 | 6 | 9 | 8 | 11 |
| Brandy | 55 | 55 | 31 | 43 | 45 |
| Fruit Spirits | 2 | 2 | 10 | 2 | 2 |
| Miscellaneous Liquors | 2 | 13 | 7 | 4 | 11 |
| Liqueurs | 60 | 59 | 73 | 77 | 76 |
| Wines | 804 | 806 | 874 | 873 | 839 |
| Beer and Sake | 71 | 81 | 92 | 89 | 102 |
| Miniatures | 11 | 11 | 12 | 19 | 24 |
| Coolers | 0 | 3 | 6 | 19 | 12 |
| Bitters | 12 | 6 | 11 | 6 | 8 |
| **Total Regular Listings** | 2,302 | 2,336 | 2,389 | 2,377 | 2,349 |
| **Vintages Wines, Spirits and Beer** | 1,287 | 1,223 | 1,987 | 2,368 | 2,744 |
| **Duty-Free Listings** | 175 | 170 | 182 | 207 | 205 |
| **Consignment Warehouse and Private Stock** | 3,244 | 3,106 | 3,515 | 4,249 | 4,573 |
| **Total Product Listing** | 7,008 | 6,835 | 8,073 | 9,201 | 9,871 |

Note: Consignment Warehouse and Private Stock product listings are estimates based on invoices produced by Specialty Services.

## SALES CHANNEL SUMMARY

*(values in $000s)*

| LCBO | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| Retail Sales | 1,785,539 | 1,731,071 | 1,740,387 | 1,827,840 | 1,923,750 |
| Licensee Sales | 271,684 | 276,306 | 288,956 | 297,233 | 314,652 |
| Agency Store Sales | 15,863 | 15,824 | 17,005 | 20,329 | 22,643 |
| Duty Free/Warehouse | 10,409 | 12,137 | 12,640 | 15,108 | 17,349 |
| Duty Free/LCBO | 9,120 | 8,979 | 9,869 | 11,425 | 12,156 |
| BRI Sales | 851 | 7,866 | 29,729 | 40,150 | 48,920 |
| Other Sales | 2,710 | 2,808 | 3,366 | 3,438 | 3,528 |
| **Total** | **2,096,176** | **2,054,991** | **2,101,952** | **2,215,523** | **2,342,998** |
| **BREWERS RETAIL** | | | | | |
| Retail and Licensee Sales | 1,937,255 | 1,910,584 | 1,951,825 | 2,060,219 | 2,075,664 |
| **WINERY RETAIL STORES** | | | | | |
| Retail Sales | 75,097 | 81,297 | 99,233 | 113,320 | 126,446 |
| **OTHER CHANNELS** | | | | | |
| **Legal:** | | | | | |
| Cross-Border Exempt | 235,210 | 171,703 | 147,538 | 148,505 | 141,372 |
| Cross-Border Declared | 3,064 | 2,346 | 1,599 | 2,333 | 2,524 |
| Brew Pubs | 1,951 | 2,570 | 2,976 | 2,436 | 1,467 |
| Wine Pubs | 276 | 422 | 489 | 448 | 437 |
| U-Brew Beer | 137,859 | 141,305 | 142,413 | 110,725 | 151,482 |
| U-Brew Wine (Hectares) | 32,762 | 34,400 | 39,124 | 16,206 | 502,050 |
| **Total** | **411,122** | **352,746** | **334,139** | **280,559** | **799,332** |
| **Homemade:** | | | | | |
| Wine | 99,782 | 101,279 | 99,991 | 112,859 | 122,409 |
| Beer | 13,786 | 10,704 | 13,939 | 14,970 | 16,122 |
| **Total** | **113,568** | **111,983** | **113,930** | **127,829** | **138,531** |
| **De-alcoholized Beer** | **14,216** | **15,069** | **19,600** | **22,540** | **24,140** |
| **Illegal:** | | | | | |
| Smuggling | 454,311 | 549,132 | 534,132 | 390,372 | 421,443 |
| Wine Manufacturing | 299,568 | 245,965 | 250,944 | 384,202 | 223,029 |
| **Total** | **753,879** | **795,097** | **785,076** | **774,574** | **644,472** |
| **GRAND TOTAL** | **5,401,313** | **5,321,767** | **5,405,755** | **5,594,564** | **6,151,583** |

Note: All figures above are shown at gross sales. The figures exclude sales taxes, Provincial Levy and GST. Brewers Retail Inc. and Winery Retail Stores sales are not sold by the Province of Ontario.

## RETAIL PRICE BREAKDOWNS

### SPIRITS

*(Examples as at March 31, 1997, for 750 mL bottle in Canadian dollars)*

| | IMPORTED U.S. | IMPORTED NON-U.S. | DOMESTIC |
|---|---|---|---|
| Payment to Supplier | $3.0400 | $3.3600 | $3.3800 |
| Federal Excise Tax | $3.3198 | $3.3198 | $3.3198 |
| Federal Import Duty | $0.0000 | $0.0217 | $0.0000 |
| Freight | $0.2775 | $0.1640 | $0.0466 |
| **Total Landed Cost** | **$6.6373** | **$6.8655** | **$6.7464** |
| LCBO Markup | $9.6307 | $9.9550 | $9.3100 |
| LCBO Bottle Levy | $0.2175 | $0.2175 | $0.2175 |
| LCBO Environment Fee | $0.0893 | $0.0893 | $0.0893 |
| LCBO Rounding Revenue | $0.0252 | $0.0127 | $0.0168 |
| **Basic Price** | **$16.60** | **$17.14** | **$16.38** |
| Goods and Services Tax | $1.16 | $1.20 | $1.15 |
| Provincial Retail Sales Tax | $1.99 | $2.06 | $1.97 |
| **Consumer Price** | **$19.75** | **$20.40** | **$19.50** |
| **Revenue Distribution** | | | |
| Supplier (including freight) | $3.32 | $3.52 | $3.43 |
| Government of Canada | $4.48 | $4.54 | $4.47 |
| Government of Ontario | $11.95 | $12.34 | $11.60 |

### WINES

*(Examples as at March 31, 1997, for 750 mL bottle in Canadian dollars)*

| | IMPORTED U.S. | IMPORTED NON-U.S. | DOMESTIC 100% ONTARIO |
|---|---|---|---|
| Payment to Supplier | $2.4500 | $2.4500 | $2.4500 |
| Federal Excise Tax | $0.3842 | $0.3842 | $0.3842 |
| Federal Import Duty | $0.0030 | $0.0305 | $0.0000 |
| Freight | $0.1669 | $0.2038 | $0.0000 |
| **Total Landed Cost** | **$3.0041** | **$3.0685** | **$2.8342** |
| LCBO Markup | $1.8235 | $1.9853 | $1.4965 |
| LCBO Wine Levy | $1.1250 | $1.1250 | $1.1250 |
| LCBO Bottle Levy | $0.2175 | $0.2175 | $0.2175 |
| LCBO Environment Fee | $0.0893 | $0.0893 | $0.0893 |
| LCBO Rounding Revenue | $0.0006 | $0.0244 | $0.0275 |
| **Basic Price** | **$6.26** | **$6.51** | **$5.79** |
| Goods and Services Tax | $0.44 | $0.46 | $0.41 |
| Provincial Retail Sales Tax | $0.75 | $0.78 | $0.70 |
| **Consumer Price** | **$7.45** | **$7.75** | **$6.90** |
| **Revenue Distribution** | | | |
| Supplier (including freight) | $2.62 | $2.65 | $2.45 |
| Government of Canada | $0.83 | $0.87 | $0.79 |
| Government of Ontario | $4.00 | $4.23 | $3.66 |

**BEER**

*(Examples as at March 31, 1997, for a case of 24 x 341 mL bottles in Canadian dollars.)*

| | IMPORTED U.S. | IMPORTED NON-U.S. | DOMESTIC |
|---|---|---|---|
| Payment to Supplier | $8.4072 | $8.4895 | $9.2968 |
| Federal Excise Tax | $2.2903 | $2.2903 | $2.2903 |
| Federal Import Duty | $0.0000 | $0.2373 | $0.0000 |
| Freight | $0.5000 | $1.2000 | $0.4000 |
| **Total Landed Cost** | **11.1975** | **12.2171** | **11.9871** |
| LCBO In-store COS | $4.9595 | $4.9595 | $4.9595 |
| LCBO Out-of-store COS | $1.3422 | $1.3422 | $0.0000 |
| LCBO Markup | $4.0920 | $4.0920 | $4.0920 |
| LCBO Bottle Levy | $1.4404 | $1.4404 | $1.4404 |
| LCBO Environment Fee | $0.0000 | $0.0000 | $0.0000 |
| LCBO Rounding Revenue | $0.0356 | $0.0244 | $0.0000 |
| **Basic Price** | **$23.07** | **$24.08** | **$22.48** |
| Goods and Services Tax | $1.61 | $1.68 | $1.57 |
| Provincial Retail Sales Tax | $2.77 | $2.89 | $2.70 |
| Container Deposit | $2.40 | $2.40 | $2.40 |
| **Consumer Price** | **$29.85** | **$31.05** | **$29.15** |
| **Revenue Distribution** | | | |
| Supplier (including freight) | $8.91 | $9.69 | $9.70 |
| Government of Canada | $3.90 | $4.21 | $3.86 |
| Government of Ontario | $14.64 | $14.75 | $13.19 |
| Container Deposit | $2.40 | $2.40 | $2.40 |

Note: COS refers to the LCBO's cost of service. The container deposit applies only to products which can be returned for a container refund.

## ELEVEN-YEAR FINANCIAL PERFORMANCE REVIEW

*(values in $000s)*

| | 19[illegible] | 1996 | 1995 | 1994 | 1993 |
|---|---|---|---|---|---|
| **STATEMENT OF EARNINGS** | | | | | |
| Sales and Other Income | $2,013,8[illegible] | $1,909,804 | $1,808,518 | $1,764,731 | $1,786,479 |
| Cost of Sales | $988,[illegible] | $919,268 | $858,190 | $832,106 | $841,060 |
| Gross Profit | $1,025,[illegible] | $990,536 | $950,328 | $932,625 | $945,419 |
| Per Cent | 50.9[illegible] | 51.87% | 52.55% | 52.85% | 52.92% |
| Operating Expenses | $324,[illegible] | $323,819 | $313,029 | $333,716 | $332,953 |
| Net Income | $701,[illegible] | $666,717 | $637,299 | $598,909 | $612,486 |
| **STATEMENT OF CASH FLOW** | | | | | |
| Cash Flow from Operation | $723,[illegible] | $687,663 | $655,198 | $619,979 | $635,298 |
| Change in Working Capital | $49,[illegible] | $9,659 | $5,473 | ($15,824) | ($8,694) |
| Cash Used for Investing Activities | (19,[illegible] | ($26,256) | ($26,895) | ($14,753) | ($21,075) |
| Cash Used for Provincial Transfers | ($730,[illegible] | ($680,000) | ($630,000) | ($585,000) | ($615,000) |
| Decrease/Increase in Cash During the Year | $23,[illegible] | ($8,934) | $3,776 | $4,402 | ($9,471) |
| **FINANCIAL POSITION** | | | | | |
| Current Assets | $256,[illegible] | $239,516 | $229,541 | $201,204 | $192,955 |
| Current Liabilities | $203,[illegible] | $160,727 | $132,159 | $92,813 | $104,789 |
| Working Capital | $52,[illegible] | $78,789 | $97,382 | $108,391 | $88,166 |
| Fixed Assets | $132,[illegible] | $134,780 | $129,470 | $120,474 | $126,790 |
| Total Assets | $388,[illegible] | $374,296 | $359,011 | $321,678 | $319,745 |
| **FINANCIAL RATIOS** | | | | | |
| Profit Margin | 35.1[illegible] | 35.33% | 35.61% | 34.24% | 34.36% |
| Return on Shareholders' Equity | 352.1[illegible] | 302.76% | 285.53% | 269.89% | 281.94% |
| Current Ratio | 1.[illegible] | 1.49 | 1.74 | 2.17 | 1.84 |
| **STATISTICS** | | | | | |
| Inventory Turnover | 5.[illegible] | 5.07 | 4.92 | 5.02 | 4.70 |
| Number of Permanent Employees | 2,8[illegible] | 2,803 | 2,824 | 2,743 | 3,100 |
| Sales per Employee | 706,[illegible] | 673,273 | 633,656 | 637,678 | 574,998 |
| Number of Stores | 5[illegible] | 596 | 597 | 600 | 611 |
| Number of Regular Products Listed | 2,3[illegible] | 2,377 | 2,389 | 2,336 | 2,302 |

Note: Inventory Turnover figures are restated to reflect a 13-period average.

| 1992 | 1991 | 1990 | 1989 | 1988 | 1987 |
|---|---|---|---|---|---|
| **STATEMENT OF EARNINGS** | | | | | |
| $1,833,386 | $1,936,710 | $2,006,975 | $1,930,319 | $1,867,684 | $1,775,296 |
| $851,539 | $967,221 | $1,012,938 | $994,294 | $968,472 | $904,122 |
| $981,847 | $969,489 | $994,037 | $936,025 | $899,212 | $871,174 |
| 53.55% | 50.06% | 49.53% | 48.49% | 48.15% | 49.07% |
| $332,439 | $326,682 | $311,707 | $275,580 | $258,185 | $233,980 |
| $652,458 | $652,669 | $692,083 | $664,124 | $640,827 | $639,587 |
| **STATEMENT OF CASH FLOW** | | | | | |
| $675,162 | $672,558 | $707,223 | $675,892 | $650,995 | $648,766 |
| $6,162 | $48,775 | ($29,481) | $29,933 | ($23,430) | ($29,020) |
| ($25,754) | ($29,751) | ($23,784) | ($15,447) | ($9,968) | ($11,572) |
| ($675,000) | ($650,000) | ($640,000) | ($645,000) | ($635,000) | ($645,000) |
| ($19,430) | $41,582 | $13,958 | $45,378 | ($17,403) | ($36,826) |
| **FINANCIAL POSITION** | | | | | |
| $207,155 | $231,212 | $219,752 | $179,400 | $192,904 | $195,215 |
| $118,212 | $116,677 | $98,024 | $101,111 | $130,060 | $138,398 |
| $88,943 | $114,535 | $121,728 | $78,289 | $62,844 | $56,817 |
| $130,564 | $131,161 | $122,322 | $118,008 | n.a. | n.a. |
| $337,719 | $362,373 | $342,074 | $297,408 | n.a. | n.a. |
| **FINANCIAL RATIOS** | | | | | |
| 36.04% | 33.96% | 34.70% | 34.54% | 34.45% | 36.19% |
| 280.50% | 266.53% | 314.34% | n.a. | n.a. | n.a. |
| 1.75 | 1.98 | 2.24 | 1.77 | 1.48 | 1.41 |
| **STATISTICS** | | | | | |
| 4.72 | 4.79 | 4.88 | 5.56 | 4.99 | 5.04 |
| 3,233 | 3,305 | 3,484 | 3,396 | 3,460 | 3,348 |
| 560,185 | 581,445 | 572,401 | 566,113 | 537,610 | 527,880 |
| 618 | 621 | 623 | 626 | 623 | 617 |
| 2,390 | 2,570 | 2,825 | 2,974 | 2,814 | 2,988 |

## ELEVEN-YEAR FINANCIAL PERFORMANCE REVIEW

(dollars in $000s)

| | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|---|---|---|---|---|
| **STATEMENT OF EARNINGS** | | | | | |
| Sales and Other Income | $2,013,873 | $1,909,804 | $1,808,518 | $1,764,731 | $1,786,479 |
| Cost of Sales | $988,386 | $919,268 | $858,190 | $832,106 | $841,060 |
| Gross Profit | $1,025,487 | $990,536 | $950,328 | $932,625 | $945,419 |
| Per Cent | 50.92% | 51.87% | 52.55% | 52.85% | 52.92% |
| Operating Expenses | $324,457 | $323,819 | $313,029 | $333,716 | $332,953 |
| Net Income | $701,030 | $666,717 | $637,299 | $598,909 | $612,466 |
| **STATEMENT OF CASH FLOW** | | | | | |
| Cash Flow from Operations | $723,197 | $687,663 | $655,198 | $619,979 | $635,298 |
| Change in Working Capital | $49,819 | $9,659 | $5,473 | ($15,824) | ($8,694) |
| Cash Used for Investing Activities | (19,424) | ($26,256) | ($26,895) | ($14,753) | ($21,075) |
| Cash Used for Provincial Transfers | ($730,000) | ($680,000) | ($630,000) | ($585,000) | ($615,000) |
| Decrease/Increase in Cash During the Year | $23,592 | ($8,934) | $3,776 | $4,402 | ($9,471) |
| **FINANCIAL POSITION** | | | | | |
| Current Assets | $256,209 | $239,516 | $229,541 | $201,204 | $192,955 |
| Current Liabilities | $203,647 | $160,727 | $132,159 | $92,813 | $104,789 |
| Working Capital | $52,562 | $78,789 | $97,382 | $108,391 | $88,166 |
| Fixed Assets | $132,037 | $134,780 | $129,470 | $120,474 | $126,790 |
| Total Assets | $388,246 | $374,296 | $359,011 | $321,678 | $319,745 |
| **FINANCIAL RATIOS** | | | | | |
| Profit Margin | 35.11% | 35.33% | 35.61% | 34.24% | 34.36% |
| Return on Shareholders' Equity | 352.13% | 302.76% | 285.53% | 269.89% | 281.94% |
| Current Ratio | 1.26 | 1.49 | 1.74 | 2.17 | 1.84 |
| **STATISTICS** | | | | | |
| Inventory Turnover | 5.02 | 5.07 | 4.92 | 5.02 | 4.70 |
| Number of Permanent Employees | 2,828 | 2,803 | 2,824 | 2,743 | 3,100 |
| Sales per Employee | 706,079 | 673,273 | 633,656 | 637,678 | 574,998 |
| Number of Stores | 595 | 596 | 597 | 600 | 611 |
| Number of Regular Products Listed | 2,349 | 2,377 | 2,389 | 2,336 | 2,302 |

Note: Inventory Turnover figures are based on Sales divided by Cost of Goods.

| 1992 | 1991 | 1990 | 1989 | 1988 | 1987 |
|---|---|---|---|---|---|
| **STATEMENT OF EARNINGS** | | | | | |
| $1,833,386 | $1,936,710 | $2,006,975 | $1,930,319 | $1,867,684 | $1,775,296 |
| $851,539 | $967,221 | $1,012,938 | $994,294 | $968,472 | $904,122 |
| $981,847 | $969,489 | $994,037 | $936,025 | $899,212 | $871,174 |
| 53.55% | 50.06% | 49.53% | 48.49% | 48.15% | 49.07% |
| $332,439 | $326,682 | $311,707 | $275,580 | $258,185 | $233,980 |
| $652,458 | $652,669 | $692,083 | $664,124 | $640,827 | $639,587 |
| **STATEMENT OF CASH FLOW** | | | | | |
| $675,162 | $672,558 | $707,223 | $675,892 | $650,995 | $648,766 |
| $6,162 | $48,775 | ($29,481) | $29,933 | ($23,430) | ($29,020) |
| ($25,754) | ($29,751) | ($23,784) | ($15,447) | ($9,968) | ($11,572) |
| ($675,000) | ($650,000) | ($640,000) | ($645,000) | ($635,000) | ($645,000) |
| ($19,430) | $41,582 | $13,958 | $45,378 | ($17,403) | ($36,826) |
| **FINANCIAL POSITION** | | | | | |
| $207,166 | $231,212 | $219,752 | $179,400 | $192,604 | $195,215 |
| $118,212 | $116,677 | $98,024 | $101,111 | $130,060 | $138,398 |
| $88,943 | $114,535 | $121,728 | $78,289 | $62,844 | $56,817 |
| $130,564 | $131,161 | $122,322 | $118,008 | n.a. | n.a. |
| $337,719 | $362,373 | $342,074 | $297,408 | n.a. | n.a. |
| **FINANCIAL RATIOS** | | | | | |
| 36.04% | 33.96% | 34.70% | 34.54% | 34.45% | 36.19% |
| 280.50% | 266.53% | 314.14 | n.a. | n.a. | n.a. |
| 1.75 | 1.98 | 2.24 | 1.77 | 1.48 | 1.41 |
| **STATISTICS** | | | | | |
| 4.72 | 4.79 | 4.88 | 5.56 | 4.99 | 5.04 |
| 3,233 | 3,305 | 3,484 | 3,396 | 3,460 | 3,348 |
| 560,185 | 581,445 | 572,401 | 566,113 | 557,630 | 527,880 |
| 618 | 621 | 621 | 626 | 627 | 617 |
| 2,390 | 2,570 | 2,825 | 2,974 | 2,814 | 2,988 |